**PUTNAM PUBLIC SERVICE DISTRICT**

**Sewer Revenue Bonds, Series 2009 A**
**(United States Department of Agriculture)**

**BOND TRANSCRIPT**

**Closing Date: June 26, 2009**

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**Putnam Public Service District**
**Sewer Revenue Bonds, Series 2009 A**
**(United States Department of Agriculture)**

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PUTNAM PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $4,520,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2009 A (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 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. 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 a sewer system upgrade in the Teays Valley area of its service territory which will result in the extension of sewer service to 27 customers, 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 $4,520,000 which will be obtained from the proceeds of sale of the Series 2009 A Bonds.

E. It is necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture), in the aggregate principal amount of $4,520,000 (the "Series 2009 A 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 2009 A 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 2009 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated October 23, 1975, issued in the original aggregate principal amount of $605,000 (the "Series 1975 Bonds"), (ii) Sewer Revenue Bonds, Series 1979 (United States Department of Agriculture), dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (iii) Sewer Revenue Bonds, Series 1993 (West Virginia Water Development

Authority), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds"), (iv) Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture), 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 (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"), (vi) 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 2002 B Bonds"), (vii) Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $4,946,000 (the "Series 2006 A Bonds"), (viii) Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $2,104,000 (the "Series 2006 B Bonds"), (ix) Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated March 19, 2007, issued in the original aggregate principal amount of $2,330,000 (the "Series 2007 A Bonds"), (x) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated January 28, 2008, issued in the original aggregate principal amount of $3,600,000 (the "Series 2008 A Bonds"), and (xi) Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund), dated June 6, 2008, issued in the original aggregate principal amount of $509,000 (the "Series 2008 B Bonds") (collectively referred to as the "Prior Bonds."). The Prior Bonds are payable from and secured by Net Revenues of the System.

There are also outstanding obligations of the Issuer which will not rank on a parity with the Series 2009 A Bonds as to liens, pledge and source of and security for payment being the Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000 (the "Prior Notes").

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 2009 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated September 12, 2007, 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 2009 A Bonds, or will have so complied prior to issuance of the Series 2009 A 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 2009 A 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 2009 A 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 2009 A 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 E.L. Robinson, Cross Lanes, 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.

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

"Issuer," "Borrower" or "District" means 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 September 12, 2007, 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 2009 A 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 1975 Bonds, Series 1979 Bonds, Series 1993 Bonds, Series 1995 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 A Bonds, Series 2006 B Bonds, Series 2007 A Bonds, Series 2008 A Bonds and Series 2008 B Bonds, as more particularly described in Section 1.02(H) hereof.

"Prior Notes" means the Issuer's Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000.

"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 6C of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service 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) Series 1975 Bonds, (ii) Series 1979 Bonds, (iii) Series 1995 Bonds, (iv) Series 2002 A Bonds, (v) Series 2006 A Bonds, and (vi) Series 2006 B Bonds.

"Secretary" means the Secretary of the Governing Body.

"Series 1975 Bonds" means the Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture) dated October 23, 1975 issued in the original aggregate principal amount of $605,000.

"Series 1979 Bonds" means the Sewer Revenue Bonds, Series 1978 (United States Department of Agriculture) dated September 12, 1980 issued in the original aggregate principal amount of $2,200,000.

"Series 1993 Bonds" means the Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority) dated March 30, 1993 issued in the original aggregate principal amount of $267,000.

"Series 1995 Bonds" means the Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture) dated May 2, 1995 issued in the original aggregate principal amount of $1,300,000.

"Series 2002 A Bonds" means the 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.

"Series 2002 B Bonds" means the 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.

"Series 2006 A Bonds" means the Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture) dated May 12, 2006 issued in the original aggregate principal amount of $4,946,000.

"Series 2006 B Bonds" means the Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture) dated May 12, 2006 issued in the original aggregate principal amount of $2,104,000.

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) dated March 19, 2007 issued in the original aggregate principal amount of $2,330,000.

"Series 2008 A Bonds" means the Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program) dated January 28, 2008 issued in the original aggregate principal amount of $3,680,000.

"Series 2008 B Bonds" means the Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund) dated June 6, 2008 issued in the original aggregate principal amount of $509,000.

"Series 2009 A Bonds" means, the Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2009 A Bonds Reserve Account" means the Series 2009 A Bonds Reserve Account established in Section 5.01.

"Series 2009 A Bonds Construction Trust Fund" means the Series 2009 A Bonds Construction Trust Fund established in Section 5.01.

"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 $4,520,000, 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 2009 A 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 2009 A Bonds of the Issuer are hereby authorized to be issued in the principal amount $4,520,000 for the purpose of financing the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2009 A Bonds shall be issued in single form, numbered AR-1, as fully registered Bonds, and shall be dated the date of delivery thereof. The Series 2009 A Bonds shall bear interest from the date of delivery, each payable monthly at the rate of 4.25% per annum, and shall be sold for the par value thereof. 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 Series 2009 A Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $20,024, 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 the Series 2009 A Bond.

The Series 2009 A 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 2009 A 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 2009 A Bonds, and the right to principal of and stated interest on the Series 2009 A 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 2009 A 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 2009 A 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 2009 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2009 A 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 2009 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2009 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 2009 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2009 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 2009 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 2009 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.

Section 3.05. Execution of Bonds. The Series 2009 A 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 2009 A Bonds shall cease to be such officer of the Issuer before the Series 2009 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2009 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2009 A 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 2009 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2009 A 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 2009 A 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 2009 A 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 2009 A 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 2009 A 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
PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2009 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 $_____

FOR VALUE RECEIVED, 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 _____, 2009, 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 WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S:

(I) SEWER REVENUE BONDS, SERIES 1975 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED OCTOBER 23, 1975, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $605,000 (THE "SERIES 1975 BONDS"),

(II) SEWER REVENUE BONDS, SERIES 1979 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS"),

(III) SEWER REVENUE BONDS, SERIES 1993 (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED MARCH 30, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $267,000 (THE "SERIES 1993 BONDS"),

(IV) SEWER REVENUE BONDS, SERIES 1995 (UNITED STATES DEPARTMENT OF AGRICULTURE), 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 (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),

(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"),

(VII) SEWER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,946,000 (THE "SERIES 2006 A BONDS"),

(VIII) SEWER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,104,000 (THE "SERIES 2006 B BONDS"),

(IX) SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED MARCH 19, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,330,000 (THE "SERIES 2007 A BONDS"),

(X) SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), DATED JANUARY 28, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,680,000 (THE "SERIES 2008 A BONDS"), AND

(XI) SEWER REVENUE BONDS, SERIES 2008 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 6, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $509,000 (THE "SERIES 2008 B BONDS").

THE SERIES 1975 BONDS, THE SERIES 1979 BONDS, THE SERIES 1993 BONDS, THE SERIES 1995 BONDS, THE SERIES 2002 A BONDS, THE SERIES 2002 B BONDS, THE SERIES 2006 A BONDS, THE SERIES 2006 B BONDS, THE SERIES 2007 A BONDS, THE SERIES 2008 A BONDS, AND THE SERIES 2008 B BONDS ARE SOMETIMES HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

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, 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.

PUTNAM PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

_____
Chairman, Public Service Board

ATTEST:

_____
Secretary, Public Service Board

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

(Form of Assignment)

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

[RESERVED]

## ARTICLE V

## FUNDS AND ACCOUTNS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank, 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 and continued hereby);

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

(3) Rebate Fund (established by the Prior Resolutions and continued hereby);

(4) Series 1975 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(5) Series 1979 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(6) Series 1995 Bonds Reserve Account (established by the Prior Resolutions and continued hereby); and

(7) Series 2009 A Bonds Construction Trust Fund.

Section 5.02. 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 1993 Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(2) Series 1993 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(3) Series 2002 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(4) Series 2002 B Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(5) Series 2002 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(6) Series 2006 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(7) Series 2006 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(8) Series 2007 A Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(9) Series 2007 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(10) Series 2008 A Bonds Sinking Fund (established by the Prior Resolutions and continued hereby)

(11) Series 2008 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(12) Series 2008 B Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(13) Series 2008 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby); and

(14) Series 2009 A Bonds Reserve Account.

Section 5.03. Bond Proceeds; Project Construction Accounts. The proceeds of the sale of the Series 2009 A Bonds shall be deposited upon receipt by the Issuer in the Series 2009 A Bonds Construction Trust Fund. The monies in the Series 2009 A Bonds Construction Trust Fund 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 2009 A Bonds Construction Trust Fund shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2009 A 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 additionally transfer from the Series 2009 A 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 installments on the Series 2009 A Bonds, 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 2009 A Bonds Construction Trust Fund 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 2009 A Bonds Construction Trust Fund shall be disposed of in accordance with the regulations of the Purchaser.

Section 5.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2009 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2009 A Bonds Reserve Account a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2009 A Bonds, as applicable, remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2009 A Bonds as follows:

A. 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. 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, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required by the Prior Resolutions to pay interest on the RUS Bonds; (ii) the Commission the amounts required by Prior Resolution to pay interest on the Series 1993 Bonds, Series 2002 B Bonds, Series 2007 A Bonds and Series 2008 A Bonds; and (iii) the National Finance Office, the amounts required to pay the interest on the Series 2009 A. All payments with respect to principal of and interest on the Series 2009 A 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 simultaneously remit (i) to the National Finance Office the amounts required by Prior Resolution to pay principal on the RUS Bonds; (ii) to the Commission the amounts required by Prior Resolution to pay principal on the Series 1993 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 B Bonds, Series 2007 A Bonds, Series 2008 A Bonds and Series 2008 B Bonds; and (iii) on or before the due date thereof, remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2009 A

Bonds, the amount required to amortize the principal of the Series 2009 A Bonds over the life of the bond issue

(4) The Issuer shall next, on the first day of each month simultaneously, transfer from the Revenue Fund and remit (i) to the Depository Bank the amounts required by the Prior Resolutions to be deposited in the respective Reserve Accounts for the Series 1975 Bonds, Series 1979 Bonds and Series 1995 Bonds; (ii) to the Commission the amounts required by Prior Resolution to be deposited in the respective reserve accounts for the Series 1993 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 A Bonds, Series 2006 B Bonds, Series 2007 A Bonds, Series 2008 A Bonds and Series 2008 B Bonds; 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 2009 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2009 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2009 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. Monies in the Series 2009 A Bonds Reserve Accounts shall be used solely to make up any deficiency for the monthly payments of the principal of and interest on the Series 2009 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2009 A Bonds, or for mandatory prepayment of the Series 2009 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in each Series 2009 A Bonds Reserve Account, so long as the 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.

(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 ½% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account; and shall use the monies therein as provided by the Prior Resolutions, except that any deficiencies in the debt service payments on the Series 2009 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 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.

Whenever the money in the Series 2009 A Bonds Reserve Account shall be sufficient to prepay the Series 2009 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2009 A 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 2009 A Bonds Reserve Account. All amounts required for the Series 2009 A 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 2009 A Bonds and the interest thereon, on a parity with the Prior Bonds.

The Series 2009 A Bonds Reserve Account 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 2009 A Bonds 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 2009 A 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 Series 2009 A 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 Series 2009 A Bonds Reserve Account,

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. 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. The Issuer shall, prior to delivery of the Series 2009 A Bonds, provide evidence that there will be at least 7,777 bona fide users upon the System on completion, in full compliance with the requirements and conditions of the Purchaser.

E. 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. 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. 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.

## ARTICLE VI

## GENERAL COVENANTS, ETC.

Section 6.01. General Statement. So long as the Series 2009 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2009 A Bonds Reserve Accounts, sums sufficient to prepay the entire principal of the Series 2009 A 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 2009 A Bonds.

Section 6.02. 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 2009 A 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 6.03. 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 2009 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 6.04. 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 2009 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2009 A Bonds.

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

So long as the RUS Bonds or the Series 2009 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 then proposed to be issued.

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

So long as the Series 1993 Bonds, Series 2002 B Bonds, Series 2007 A Bonds, Series 2008 A Bonds, or Series 2008 B Bonds are outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by 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 2009 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2009 A 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 6.05. 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 2009 A 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 2009 A 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 2009 A 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 6.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2009 A 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 2009 A Bonds.

Section 6.07. 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 2009 A 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 A 2009 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 6.08. 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 2009 A Bonds.

Section 6.09. Fiscal Year; Budget. While the Series 2009 A 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 6.10. 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 6.11. 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 6.12. 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 6.13. 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 2009 A Bonds are outstanding.

Section 6.14. 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 VII

## RATES, ETC.

Section 7.01. 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 April 23, 2008 Case No. 06-0743-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 VIII

## MISCELLANEOUS

Section 8.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2009 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2009 A 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 2009 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2009 A Bonds, the Issuer may not defease the Series 2009 A Bonds or otherwise provide for payment thereof by escrow or like manner.

Section 8.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser.

Section 8.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2009 A 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 8.04. 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 2009 A Bonds.

Section 8.05. 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 8.06. 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 8.07. 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 8.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

[Remainder of Page Intentionally Blank]

Adopted this 24th day of June, 2009.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of PUTNAM PUBLIC SERVICE DISTRICT on the 24th day of June, 2009.

Dated: June 26, 2009

[SEAL]

Secretary

06.18.09
847280.00014

**PUTNAM PUBLIC SERVICE DISTRICT**

Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

**SUPPLEMENTAL RESOLUTION**

SUPPLEMENTAL RESOLUTION RELATING TO THE SERIES 2009 A BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2009 A BONDS AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Putnam Public Service District (the "Issuer") has duly and officially adopted a bond resolution on June 24, 2009 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $4,520,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2009 A (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 Bond Resolution when used herein;

WHEREAS, the Bond Resolution provides for the issuance of the Series 2009 A (West Virginia Infrastructure Fund), of the Issuer (the "Bonds" or the "Series 2009 A Bonds"), in the aggregate principal amount of not to exceed $4,520,000, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (collectively, the "Act");

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, and that other matters relating to the Bonds be herein provided for;

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

Section 1. The Issuer does hereby appoint and designate Calvin Hatfield as acting Secretary for the purposes of executing documents relating to the Bonds.

Section 2. 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 2009 A Bonds may be delivered on or about June 6, 2008, to the Authority pursuant to the Loan Agreement.

Section 3. The Issuer does hereby appoint and designate Putnam County Bank, Hurricane, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 4. 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 5. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 6. This Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Blank]

Adopted this 24nd day of June, 2009.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by Putnam Public Service District on this 24th day of June, 2009.

Dated: June 26, 2009.

[SEAL]

Secretary

847280.00014

# PUTNAM PUBLIC SERVICE DISTRICT

## SEWER REVENUE BONDS, SERIES 2008 A
## (WEST VIRGINIA SRF PROGRAM)

## BOND RESOLUTION

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PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $3,680,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2008 A (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 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. 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 gravity wastewater collection system to provide service along Ventroux Road and along U.S. Route 35 and WV Route 33 in Putnam County, and for participation in the construction of a new maintenance/service garage and office facility, 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 Issuer intends to permanently finance the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Act.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all 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.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program, in the aggregate principal amount of not more than $3,680,000 (the "Series 2008 A Bonds"), to permanently finance the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. 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 2008 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2008 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2008 A Bonds

or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

F. The period of usefulness of the System after completion of the Project is not less than 20 years.

G. It is in the best interests of the Issuer that its Series 2008 A Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and among the Issuer and the Authority, and the West Virginia Department of Environmental Protection (the "DEP") in form satisfactory to the Issuer, the Authority and the DEP, approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2008 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated October 23, 1975, issued in the original aggregate principal amount of $605,000 (the "Series 1975 Bonds"), (ii) Sewer Revenue Bonds, Series 1979 (United States Department of Agriculture), dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (iii) Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds"), (iv) Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture), 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 (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), (vi) 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 2002 B Bonds"), (vii) Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $4,946,000 (the "Series 2006 A Bonds"), (viii) Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $2,104,000 (the "Series 2006 B Bonds"), and (ix) Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated March 19, 2007, issued in the original aggregate principal amount of $2,330,000 (the "Series 2007 A Bonds") (Collectively referred to as the "Prior Bonds."). The Prior Bonds are payable from and secured by Net Revenues of the System.

There are also outstanding obligations of the Issuer which will not rank on a parity with the Series 2008 A Bonds as to liens, pledge and source of and security for payment being the Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000 (the "Prior Notes").

The Series 2008 A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2008 A Bonds, the Issuer will obtain (i) a certificate of an independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; (ii) obtain the written consent of the Holders of the Prior Bonds to the issuance of the Series 2008 A Bonds on a parity with the Prior Bonds; and (iii) obtain the consent of the Holder of the Prior Notes to the issuance of the Bonds without prepayment of the Prior Notes. Other than the Prior Bonds and Prior Notes, 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.

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, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2008 A 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 and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2008 A Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A and Chapter 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 2008 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the

functions of the Authority, acting in its administrative capacity and upon authorization from the 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 or entity in whose name such Bond is registered.

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

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

"Bonds" means, collectively, the Series 2008 A Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

"Chairman" means the Chairman of the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2008 A Bonds for all or a portion of the proceeds of the Series 2008 A 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 Qk4, Inc., St. Albans, 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 1.02E 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 of the State of West Virginia 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 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.

"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 2008 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2008 A 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 2008 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, SRF Administrative Fee. 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 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 2008 A Bonds by the Issuer in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1975 Bonds, Series 1979 Bonds, Series 1993 Bonds, Series 1995 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 A Bonds, Series 2006 B Bonds and Series 2007 A Bonds, as more particularly described in Section 1.02(H) hereof.

"Prior Notes" means the Issuer's Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, as supplemented, authorizing the Series 1975 Bonds, the Series 1979 Bonds, the Series 1993 Bonds, the Series 1995 Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2006 A Bonds, the Series 2006 B Bonds and the Series 2007 A 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.

"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 Board of Treasury Investments pursuant to Chapter 12, Article 6C of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or 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 and continued hereby.

"Reserve Accounts" means, collectively, the reserve account established for the Series 2008 A 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.

"RUS Bonds" means the (i) Series 1975 Bonds, (ii) Series 1979 Bonds, (iii) Series 1995 Bonds,(iv) Series 2002 A Bonds, (v) Series 2006 A Bonds, and (vi) Series 2006 B Bonds.

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

"Series 1975 Bonds" means the Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture) dated October 23, 1975 issued in the aggregate principal amount of $605,000.

"Series 1979 Bonds" means the Sewer Revenue Bonds, Series 1978 (United States Department of Agriculture) dated September 12, 1980 issued in the aggregate principal amount of $2,200,000.

"Series 1993 Bonds" means the Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority) dated March 30, 1993 issued in the aggregate principal amount of $267,000.

"Series 1995 Bonds" means the Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture) dated May 2, 1995 issued in the aggregate principal amount of $1,300,000.

"Series 2002 A Bonds" means the Sewer Revenue Bonds, Series 2002 A (United States Department of Agriculture) dated March 7, 2002 issued in the aggregate principal amount of $7,078,000.

"Series 2002 B Bonds" means the Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program) dated March 7, 2002 issued in the aggregate principal amount of $1,422,000.

"Series 2006 A Bonds" means the Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture) dated May 12, 2006 issued in the aggregate principal amount of $4,946,000.

"Series 2006 B Bonds" means the Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture) dated May 12, 2006 issued in the aggregate principal amount of $2,104,000.

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) dated March 19, 2007 issued in the aggregate principal amount of $2,330,000.

"Series 2008 A Bonds" means the Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 2008 A Bonds Construction Trust Fund" means the Construction Trust Fund for the Series 2008 A Bonds established by Section 5.01 hereof.

"Series 2008 A Bonds Reserve Account" means the Series 2008 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2008 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 2008 A Bonds in the then current or any succeeding year.

"Series 2008 A Bonds Sinking Fund" means the Series 2008 A Bonds Sinking Fund established by Section 5.02 hereof.

"SRF Administrative Fee" means any administrative fee required to be paid under the Loan Agreement for the Series 2008 A Bonds.

"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 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 2008 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2008 A Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the 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.

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

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

## 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 $3,680,000, 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 Authority and the DEP.

The cost of the Project is estimated not to exceed $3,680,000 which will be obtained from proceeds of the Series 2008 A Bonds.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2008 A 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 2008 A Bonds of the Issuer. The Series 2008 A Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2008 A (West Virginia SRF Program)", in the principal amount of not more than $3,680,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2008 A Bonds remaining after funding of the Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 2008 A Bonds, if any, shall be deposited in or credited to the Series 2008 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2008 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 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 2008 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2008 A Bonds shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2008 A Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2008 A Bonds. The Series 2008 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form, 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 2008 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2008 A Bonds shall cease to be such officer of the Issuer before the Series 2008 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any 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. The Bond Registrar with respect to the Series 2008 A Bonds shall be the bank to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2008 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 2008 A Bonds shall be conclusive evidence that such Series 2008 A Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2008 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2008 A Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2008 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2008 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2008 A Bonds remain outstanding, the Bond Registrar for the Series 2008 A 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 2008 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the 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 2008 A Bonds shall not, in any event, be or constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2008 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all Series 2008 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net

Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2008 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2008 A Bonds to the original purchasers upon receipt of the documents set forth below:

(1) If other than the Authority, a list of the names in which the Series 2008 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

(2) A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2008 A Bonds to the original purchasers;

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

(4) An executed copy of the Loan Agreement; and

(5) The unqualified approving opinion of bond counsel on the Series 2008 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2008 A 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 2008 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2008 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That on this the ____ day of _____, 2008, 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 _____DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 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 also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on said EXHIBIT B.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the next month preceding an interest payment date, or 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 among the Issuer and the Authority, and the DEP, dated _____, 2008.

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 13A 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 _____, 2008, and a Supplemental Resolution duly adopted by the Issuer on _____, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S:

(I) SEWER REVENUE BONDS, SERIES 1975, DATED OCTOBER 23, 1975 (UNITED STATES DEPARTMENT OF AGRICULTURE), ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $605,000 (THE "SERIES 1975 BONDS"),

(II) SEWER REVENUE BONDS, SERIES 1979 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS"),

(III) SEWER REVENUE BONDS, SERIES 1993 (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED MARCH 30, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $267,000 (THE "SERIES 1993 BONDS"),

(IV) SEWER REVENUE BONDS, SERIES 1995 (UNITED STATES DEPARTMENT OF AGRICULTURE), 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 (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),

(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"),

(VII) SEWER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,946,000 (THE "SERIES 2006 A BONDS"),

(VIII) SEWER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,104,000 (THE "SERIES 2006 B BONDS"), AND,

(IX) SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED MARCH 19, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,330,000 (THE "SERIES 2007 A BONDS")

THE SERIES 1975 BONDS, THE SERIES 1979 BONDS, THE SERIES 1993 BONDS, THE SERIES 1995 BONDS, THE SERIES 2002 A BONDS, THE SERIES 2002 B BONDS, THE SERIES 2006 A BONDS, THE SERIES 2006 B BONDS AND THE SERIES 2007 A BONDS ARE SOMETIMES HEREINAFTER 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 Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2008 A 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 2008 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount

payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided that, in the event there exists in the Series 2008 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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, 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 the day and year first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2008 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of "Amended Schedule". Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the DEP a schedule, the form of 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 and continued hereby);

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

(3) Rebate Fund (established by the Prior Resolutions and continued hereby);

(4) Series 1975 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(5) Series 1979 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(6) Series 1995 Bonds Reserve Account (established by the Prior Resolutions and continued hereby); and

(7) Series 2008 A Bonds Construction Trust Fund.

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

(1) Series 1993 Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(2) Series 1993 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(3) Series 2002 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(4) Series 2002 B Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(5) Series 2002 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(6) Series 2006 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(7) Series 2006 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(8) Series 2007 A Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(9) Series 2007 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(10) Series 2008 A Bonds Sinking Fund; and

(11) Series 2008 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner 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 simultaneously, transfer from the Revenue Fund and remit to (i) the National Finance Office, the amounts required by the Prior Resolutions to pay interest on the RUS Bonds; (ii) the Commission the amounts required by Prior Resolution to pay interest on the Series 1993 Bonds, Series 2002 B Bonds, and Series 2007 A Bonds; and (iii) remit to the Commission on the first day of each month, commencing 3 months prior to the first date of payment of interest on the Series 2008 A Bonds, for deposit in the Series 2008 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 2008 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2008 A Bonds Sinking Fund and the next quarterly interest payment date is less than

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

(3) The Issuer shall next, each month simultaneously, transfer from the Revenue Fund and remit to (i) the National Finance Office, the amounts required by the Prior Resolutions to pay principal of the RUS Bonds; (ii) the Commission the amounts required by Prior Resolutions to pay principal on the Series 1993 Bonds, Series 2002 B Bonds, and Series 2007 A Bonds; and (iii) remit to the Commission on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2008 A Bonds, for deposit in the Series 2008 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2008 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2008 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month simultaneously, transfer from the Revenue Fund and remit to (i) the Depository Bank, the amounts required by the Prior Resolutions to be deposited in the respective reserve accounts for the Series 1975 Bonds, Series 1979 Bonds, and Series 1995 Bonds; (ii) the Commission the amounts required by Prior Resolution to be deposited in the respective reserve accounts for the Series 1993 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 A Bonds, Series 2006 B Bonds, and Series 2007 A Bonds, and (ii) 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 2008 A Bonds, for deposit in the Series 2008 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2008 A Bonds Reserve Requirement, until the amount in the Series 2008 A Bonds Reserve Account equals the Series 2008 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2008 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 2008 A 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; and shall use the monies therein as provided by the Prior Resolutions, except that any deficiencies in the debt service payments on the Series 2008 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 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 2008 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2008 A Bonds as the same shall become due. Monies in the Series 2008 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2008 A Bonds as the same shall come due, when other monies in the Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2008 A Bonds Sinking Fund shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, as applicable, be deposited in the Series 2008 A Bonds Construction Trust Fund, and following completion thereof, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2008 A Bonds.

Any withdrawals from the Series 2008 A Bonds Reserve Account, which result in a reduction in the balance of such account to below the Reserve Requirement thereof, shall be restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2008 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Accounts in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2008 A Bonds Sinking Fund, or the Series 2008 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the

Series 2008 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal, interest or reserve payments, if applicable, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2008 A Bonds.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2008 A Bonds Sinking Fund, and the Series 2008 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2008 A Bonds, under the conditions and restrictions set forth herein.

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

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 2008 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. The Issuer shall 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 Schedule Y attached to the Loan Agreement for the Series 2008 A Bonds.

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

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

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

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

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

I. If the Issuer is subject to the rebate requirements of Section 148(f) of the Code and not exempted from such requirements, 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, as more fully described in Article VIII.

## 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 2008 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2008 A Bonds, there shall first be deposited with the Commission in the Series 2008 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2008 A Bonds for the period commencing on the date of issuance of the Series 2008 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Series 2008 A Bonds, there shall be deposited with the Commission in the Series 2008 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2008 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2008 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2008 A 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 2008 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2008 A Bonds shall be expended as directed by the DEP.

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

Except as provided in Section 6.01 hereof, disbursements of the proceeds of the Series 2008 A Bonds from the Series 2008 A Bonds Construction Trust Fund shall be made only after submission to, and approval from, the DEP of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, monies in the Series 2008 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

## ARTICLE VII

## ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2008 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2008 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2008 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2008 A 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, if any, of the Issuer to pay the Series 2008 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all the Series 2008 A Bonds shall be secured 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 2008 A Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Recommended decision of the Public Service Commission of West Virginia entered January 26, 2007, in Case No. 06-0743-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 2008 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums

set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2008 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, lease, mortgage or in any manner dispose of or encumber the System, or any part thereof, except as provided in the Prior Resolutions and with the written consent of the Authority and the DEP.

So long as the Series 2008 A Bonds are outstanding and except as otherwise required by law or with the written consent of 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 immediately be remitted to the Commission for deposit in the Series 2008 A Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2008 A Bonds in accordance with Article X hereof. Any balance remaining after the payment of the Series 2008 A Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Issuer shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Governing Body may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer

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

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the source fiscal year for such sales, leases or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 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 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 2008 A Bonds pursuant to this Bond Legislation, without the prior written consent of 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 2008 A Bonds.

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

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

(1) The Bonds Outstanding;

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

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

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

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by

the Issuer, the time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2008 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2008 A 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 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 or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the DEP or their agents and representatives, to inspect all records pertaining to the operation 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 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 (and in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required), and shall mail upon request, and make

available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2008 A Bonds and shall submit said report to the Authority and the DEP, or any other original purchaser of the Series 2008 A Bonds. Such audit report submitted to 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 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 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 7.09. Rates. Prior to the issuance of the Series 2008 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2008 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds, including the Prior Bonds; provided that, in the event that an amount equal

to or in excess of the reserve requirement is on deposit in the Series 2008 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2008 A Bonds including Prior Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2008 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds including Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the 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 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 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 DEP and the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the DEP 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 DEP 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 DEP, the Authority, 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 for the Series 2008 A Bonds as Exhibit A, 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 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and

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

Section 7.14. No Free Services. 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 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 will complete the acquisition and construction of the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the DEP necessary for the acquisition and construction of

the Project and the operation of the System and all approvals of issuance of the Series 2008 A Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the 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.

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 2008 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2008 A Bonds during the term thereof is, under the terms of the Series 2008 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2008 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2008 A Bonds during the term thereof is, under the terms of the Series 2008 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2008 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2008 A Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2008 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2008 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2008 A Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2008 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.20. 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 2008 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2008 A Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds and senior and prior to the statutory mortgage lien of the Prior Notes.

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2008 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the DEP for written approval. The Issuer shall obtain the written approval of the DEP before expending any proceeds of the Series 2008 A Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the DEP before expending any proceeds of the Series 2008 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being provided by 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 2008 A Bonds which would cause the Series 2008 A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2008 A Bonds) so that the interest on the Series 2008 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2008 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2008 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and shall be used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay 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 2008 A 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 2008 A Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority including information with respect to earnings on all funds constituting "gross proceeds" of the Series 2008 A Bonds (as such term "gross proceeds" is defined in the Code).

## ARTICLE IX

## DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2008 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2008 A Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2008 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2008 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond;

(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 the Series 2008 A Bonds or the Prior Bonds, it shall constitute an "Event of Default" with respect to the Series 2008 A 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 2008 A Bonds shall be on a parity with 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 2008 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then 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 2008 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied; except as may otherwise be necessary to assure the exclusion of interest on the Series 2008 A Bonds from gross income for federal income tax purposes.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2008 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2008 A 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 2008 A Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2008 A 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 2008 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2008 A Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution , the Supplemental Resolution or the Series 2008 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolutions. All 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; 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 Bonds or any portion thereof are Outstanding.

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

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

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Adopted this 24th day of January, 2008.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of the PUTNAM PUBLIC SERVICE DISTRICT on the 24th day of January, 2008.

Dated: January 28, 2008.

[SEAL]

Secretary

01.14.08
847280.00012

PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2008 A
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), OF PUTNAM PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2008 A BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2008 A 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 Putnam Public Service District (the "Issuer") has duly and officially adopted a bond resolution on January 24, 2008 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $3,680,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2008 A (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 the Series 2008 A (West Virginia SRF Program), of the Issuer (the "Bonds" or the "Series 2008 A Bonds"), in the aggregate principal amount of not to exceed $3,680,000, and has authorized the execution and delivery of the Loan Agreement relating to the Series 2008 A Bonds, including all schedules and exhibits attached thereto, by and among the Issuer and the West Virginia Water Development Authority (the "Authority") on behalf of 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 amount, date, maturity date, redemption provisions, interest rate, interest and principal payment dates, sale price 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 2008 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates, the sale price 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 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 Issuer's Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $3,680,000. The Series 2008 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2029, and shall bear interest at the rate of two percent (2%) per annum. The principal of and interest on Series 2008 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2009, and maturing June 1, 2029, 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 2008 A Bonds. The Series 2008 A 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 2008 A Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1% of the principal amount of the Series 2008 A 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 DEP and the Authority. The price of the Series 2008 A Bonds shall be 100% of par value, there being no interest accrued on the Series 2008 A Bonds, provided that the proceeds of the Series 2008 A Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2008 A 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 2008 A 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. Series 2008 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2008 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2008 A Bonds proceeds in the amount of $223,703 shall be deposited in the Series 2008 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2008 A Bonds shall be deposited in or credited to the Series 2008 A 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 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2008 A Bonds may be delivered on or about January 28, 2008, to the Authority pursuant to the Loan Agreement.

Section 11. 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 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the 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 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer shall not permit at any time or times any of the proceeds of the Series 2008 A Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 2008 A Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 2008 A Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 14. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

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

Adopted this 24th day of January, 2008.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by Putnam Public Service District on this 24th day of January, 2008.

Dated: January 28, 2008.

[SEAL]

Secretary

01.14.08
847280.00012

**PUTNAM PUBLIC SERVICE DISTRICT**

**SEWER REVENUE BONDS, SERIES 2008 B**
**(WEST VIRGINIA INFRASTRUCTURE FUND)**

**BOND RESOLUTION**

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SIGNATURES
CERTIFICATION

**PUTNAM PUBLIC SERVICE DISTRICT**

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $509,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2008 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF 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 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. 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 an upgrade to the Hometown wastewater treatment plant, 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 Issuer intends to permanently finance a potion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), pursuant to the Act.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all 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.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $509,000 (the "Series 2008 B Bonds"), to permanently 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. 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 2008 B 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2008 B 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 2008 B Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 2008 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 Infrastructure and Jobs Development Council (the "Council") in form satisfactory to the Issuer, the Authority and the Council, approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2008 B Bonds as to liens, pledge and source of and security for payment, being the Issuer's: (i) Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated

October 23, 1975, issued in the original aggregate principal amount of $605,000 (the "Series 1975 Bonds"), (ii) Sewer Revenue Bonds, Series 1979 (United States Department of Agriculture), dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (iii) Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds"), (iv) Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture), 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"), (vi) 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 2002 B Bonds"), (vii) Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $4,946,000 (the "Series 2006 A Bonds"), (viii) Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $2,104,000 (the "Series 2006 B Bonds"); (ix) Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated March 19, 2007, issued in the original aggregate principal amount of $2,330,000 (the "Series 2007 A Bonds") and (x) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated January 28, 2008, issued in the original aggregate principal amount of $3,680,000 (the "Series 2008 A Bonds") (collectively referred to as the "Prior Bonds."). The Prior Bonds are payable from and secured by Net Revenues of the System.

There are also outstanding obligations of the Issuer which will not rank on a parity with the Series 2008 B Bonds as to liens, pledge and source of and security for payment being the Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000 (the "Prior Notes").

The Series 2008 B Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2008 B Bonds, the Issuer will obtain (i) a certificate of an independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met, (ii) obtain the written consent of the Holders of the Prior Bonds to the issuance of the Series 2008 B Bonds on a parity with the Prior Bonds, and (iii) obtain the consent of the Authority to the issuance of the Bonds without prepayment of the Prior Notes. Other than the Prior Bonds and the Prior Notes, 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.

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, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2008 B Bonds, or will have so complied prior to issuance of any thereof, including, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2008 B Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2008 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 Council 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 or entity in whose name such Bond is registered.

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

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

"Bonds" means, collectively, the Series 2008 B Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

"Chairman" means the Chairman of the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2008 B Bonds for all or a portion of the proceeds of the Series 2008 B Bonds from the Authority and the Council.

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

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

"Consulting Engineers" means Dunn Engineers, Inc., Charleston, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or public corporation and 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, board or department of the State that succeeds to the functions of the Council.

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

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

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

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

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

"Grant" means, collectively, all grant monies received by the Issuer for the Project.

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

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

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

"Issuer" means 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.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into between the Issuer and the Authority on behalf of the Council, providing for the purchase of the Series 2008 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 2008 B 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 2008 B 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.

"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 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 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 2008 B Bonds by the Issuer in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1975 Bonds, Series 1979 Bonds, Series 1993 Bonds, Series 1995 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 A Bonds, Series 2006 B Bonds, Series 2007 A Bonds and Series 2008 A Bonds, as more particularly described in Section 1.02(H) hereof.

"Prior Notes" means the Issuer's Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000.

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

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

(i) Obligations of States or 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 Prior Resolution.

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the reserve account established for the Series 2008 B 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.

"RUS Bonds" means the (i) Series 1975 Bonds, (ii) Series 1979 Bonds, (iii) Series 1995 Bonds, (iv) Series 2002 A Bonds, (v) Series 2006 A Bonds, and (vi) Series 2006 B Bonds.

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

"Series 1975 Bonds" means the Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture) dated October 23, 1975 issued in the original aggregate principal amount of $605,000.

"Series 1979 Bonds" means the Sewer Revenue Bonds, Series 1978 (United States Department of Agriculture) dated September 12, 1980 issued in the original aggregate principal amount of $2,200,000.

"Series 1993 Bonds" means the Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority) dated March 30, 1993 issued in the original aggregate principal amount of $267,000.

"Series 1995 Bonds" means the Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture) dated May 2, 1995 issued in the original aggregate principal amount of $1,300,000.

"Series 2002 A Bonds" means the 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.

"Series 2002 B Bonds" means the 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.

"Series 2006 A Bonds" means the Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture) dated May 12, 2006 issued in the original aggregate principal amount of $4,946,000.

"Series 2006 B Bonds" means the Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture) dated May 12, 2006 issued in the original aggregate principal amount of $2,104,000.

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) dated March 19, 2007 issued in the original aggregate principal amount of $2,330,000.

"Series 2008 A Bonds" means the Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program) dated January 28, 2008 issued in the original aggregate principal amount of $3,680,000.

"Series 2008 B Bonds" or "Series 2008 Bonds" means the Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 2008 B Bonds Construction Trust Fund" means the Construction Trust Fund for the Series 2008 B Bonds established by Section 5.01 hereof.

"Series 2008 B Bonds Reserve Account" means the Series 2008 B Bonds Reserve Account established by Section 5.02 hereof.

"Series 2008 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 2008 B Bonds in the then current or any succeeding year.

"Series 2008 B Bonds Sinking Fund" means the Series 2008 B Bonds Sinking Fund established by Section 5.02 hereof.

"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 authorizing the sale of the Series 2008 B Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2008 B Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the 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.

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

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

## 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 $1,809,000, 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 Authority and the Council.

The cost of the Project is estimated not to exceed $1,809,000 of which $509,000 will be obtained from proceeds of the Series 2008 B Bonds and $1,300,000 from the proceeds of a United States Army Corps of Engineers grant.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest, if any, on the Series 2008 B 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 2008 B Bonds of the Issuer. The Series 2008 B Bonds shall be issued as a single bond, designated "Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund)", in the principal amount of not more than $509,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2008 B Bonds remaining after funding of the Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 2008 B Bonds, if any, shall be deposited in or credited to the Series 2008 B Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2008 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 2008 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 2008 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 2008 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 2008 B Bonds.. The Series 2008 B Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form, 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 2008 B Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed

or sealed the Series 2008 B Bonds shall cease to be such officer of the Issuer before the Series 2008 B Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any 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. The Bond Registrar with respect to the Series 2008 B Bonds shall be the bank to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2008 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 2008 B Bonds shall be conclusive evidence that such Series 2008 B Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2008 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 2008 B Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2008 B Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2008 B Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2008 B Bonds remain outstanding, the Bond Registrar for the Series 2008 B 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 2008 B Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2008 B 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 2008 B Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2008 B 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 2008 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2008 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2008 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 2008 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 2008 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 2008 B Bonds.

Section 3.10. Form of Bonds. The text of the Series 2008 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 2008 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2008 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That on this the ____ day of _____, 2008, 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 _____DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200___, to and including _____1, 20___ as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

The bond shall not bear interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the next month preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority on behalf of the Council, dated _____, 2008.

This Bond is issued (i) to pay a portion of 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 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2008, and a Supplemental Resolution duly adopted by the Issuer on _____, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S:

(I) SEWER REVENUE BONDS, SERIES 1975 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED OCTOBER 23, 1975, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $605,000 (THE "SERIES 1975 BONDS"),

(II) SEWER REVENUE BONDS, SERIES 1979 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS"),

(III) SEWER REVENUE BONDS, SERIES 1993 (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED MARCH 30, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $267,000 (THE "SERIES 1993 BONDS"),

(IV) SEWER REVENUE BONDS, SERIES 1995 (UNITED STATES DEPARTMENT OF AGRICULTURE), 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 (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),

(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"),

(VII) SEWER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,946,000 (THE "SERIES 2006 A BONDS"),

(VIII) SEWER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,104,000 (THE "SERIES 2006 B BONDS"),

(IX) SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED MARCH 19, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,330,000 (THE "SERIES 2007 A BONDS"), AND

(X) SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), DATED JANUARY 28, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,680,000 (THE "SERIES 2008 A BONDS")

THE SERIES 1975 BONDS, THE SERIES 1979 BONDS, THE SERIES 1993 BONDS, THE SERIES 1995 BONDS, THE SERIES 2002 A BONDS, THE SERIES 2002 B BONDS, THE SERIES 2006 A BONDS, THE SERIES 2006 B BONDS, THE SERIES 2007 A BONDS, AND THE SERIES 2008 A BONDS ARE SOMETIMES HEREINAFTER 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 Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2008 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2008 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 Prior Bonds; provided that, in the event there exists in the Series 2008 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, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, 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 the day and year first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 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: _____, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2008 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of "Amended Schedule". Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the Council a schedule, the form of which will be provided by the Council, setting forth the actual costs of the Project and sources of funds therefor.

## ARTICLE IV

**[RESERVED]**

## ARTICLE V

## FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created (or continued if previously established by 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 and continued hereby);

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

(3) Rebate Fund (established by the Prior Resolutions and continued hereby);

(4) Series 1975 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(5) Series 1979 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(6) Series 1995 Bonds Reserve Account (established by the Prior Resolutions and continued hereby); and

(7) Series 2008 B Bonds Construction Trust Fund.

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

(1) Series 1993 Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(2) Series 1993 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(3) Series 2002 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(4) Series 2002 B Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(5) Series 2002 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(6) Series 2006 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(7) Series 2006 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(8) Series 2007 A Bonds Sinking Fund (established by the Prior Resolutions and continued hereby);

(9) Series 2007 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(10) Series 2008 A Bonds Sinking Fund (established by the Prior Resolutions and continued hereby)

(11) Series 2008 A Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(12) Series 2008 B Bonds Sinking Fund; and

(13) Series 2008 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 simultaneously, transfer from the Revenue Fund and remit to (I) the National Finance Office, the amounts required by the Prior Resolutions to pay interest on the RUS Bonds; and (ii) the Commission the amounts required by Prior Resolution to pay interest on the Series 1993 Bonds, Series 2002 B Bonds, Series 2007 A Bonds, and the Series 2008 A Bonds.

(3) The Issuer shall next, each month simultaneously, transfer from the Revenue Fund and remit to (i) the National Finance Office, the amounts required by the Prior Resolutions to pay principal of the RUS Bonds; (ii) the Commission the amounts required by Prior Resolutions to pay principal on the Series 1993 Bonds, Series 2002 B Bonds, Series 2007 A Bonds and Series 2008 A Bonds; and (iii) remit to the Commission on the first day of each month, commencing 3 months prior to the

first date of payment of principal of the Series 2008 B Bonds, for deposit in the Series 2008 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2008 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 2008 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 simultaneously, transfer from the Revenue Fund and remit to (I) the Depository Bank, the amounts required by the Prior Resolutions to be deposited in the respective reserve accounts for the Series 1975 Bonds, Series 1979 Bonds, and Series 1995 Bonds; (ii) the Commission the amounts required by Prior Resolution to be deposited in the respective reserve accounts for the Series 1993 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 A Bonds, Series 2006 B Bonds, Series 2007 A Bonds and Series 2008 A Bonds, and (iii) 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 2008 B Bonds, for deposit in the Series 2008 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2008 B Bonds Reserve Requirement, until the amount in the Series 2008 B Bonds Reserve Account equals the Series 2008 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2008 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 2008 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 2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account; and shall use the monies therein as provided by the Prior Resolutions, except that any deficiencies in the debt service payments on the Series 2008 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 2008 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2008 B Bonds as the same shall become due. Monies in the Series 2008 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2008 B Bonds as the same shall come due, when other monies in the Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2008 B Bonds Sinking Fund shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, as applicable, be deposited in the Series 2008 B Bonds Construction Trust Fund, and following completion thereof, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2008 B Bonds.

Any withdrawals from the Series 2008 B Bonds Reserve Account, which result in a reduction in the balance of such account to below the Reserve Requirement thereof, shall be restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2008 B Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Accounts in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2008 B Bonds Sinking Fund, or the Series 2008 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2008 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal, interest or reserve payments, if applicable, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2008 B Bonds.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2008 B Bonds Sinking Fund, and the Series 2008 B Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2008 B Bonds Sinking Fund and the Series 2008 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2008 B Bonds Sinking Fund and the Series 2008B Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2008 B Bonds, under the conditions and restrictions set forth herein.

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

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 2008 B Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

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

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

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

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

I. If the Issuer is subject to the rebate requirements of Section 148(f) of the Code and not exempted from such requirements, 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, as more fully described in Article VIII.

## 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 2008 B Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2008 B Bonds, there shall first be deposited with the Commission in the Series 2008 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2008 B Bonds for the period commencing on the date of issuance of the Series 2008 B Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Series 2008 B Bonds, there shall be deposited with the Commission in the Series 2008 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2008 B Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2008 B Bonds, such monies shall be deposited with the Depository Bank in the Series 2008 B 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 2008 B Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2008 B Bonds shall be expended as approved by the Council.

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

Except as provided in Section 6.01 hereof, disbursements of the proceeds of the Series 2008 B Bonds from the Series 2008 B Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, monies in the Series 2008 B Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

The Issuer shall expend all proceeds of the Series 2008 B Bonds within 3 years of the date of issuance of the Authority's bonds, the proceeds of which were used to make the loan to 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 2008 B Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2008 B Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2008 B Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2008 B 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, if any, of the Issuer to pay the Series 2008 B Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all the Series 2008 B Bonds shall be secured 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 2008 B Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and shall provide an opinion of counsel to the Issuer of such effect. 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 April 23, 2008, in Case No. 06-0743-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 2008 B Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2008 B Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take

all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, lease, mortgage or in any manner dispose of or encumber the System, or any part thereof, except as provided in the Prior Resolutions and with the written consent of the Authority and the Council.

So long as the Series 2008 B Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding, in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Series 2008 B Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2008 B Bonds in accordance with Article X hereof. Any balance remaining after the payment of the Series 2008 B Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Issuer shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Governing Body may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of Prior Resolution and this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the source fiscal year for such sales, leases or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 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 Authority and the Council prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the System, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior 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 2008 B Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2008 B Bonds.

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

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

(1) The Bonds Outstanding;

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

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

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

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

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2008 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2008 B 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 Authority and the Council or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the Council such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the Council or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction 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 Council and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of the Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and to the extent legally required, in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto), and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2008 B Bonds and shall submit said report to the Authority and the Council, or any other original purchaser of the Series 2008 B Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

Section 7.09. Rates. Prior to the issuance of the Series 2008 B Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds

created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (I) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2008 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 B Bonds, including the Prior Bonds; provided that, in the event that an amount equal to or in excess of the reserve requirement is on deposit in the Series 2008 B B Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2008 B Bonds including Prior Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2008 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 B Bonds including Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

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

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the 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 Council and the Authority and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

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

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the 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 either the System or the water system and will not restore such services of the System until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. 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 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 Council and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. 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 will complete the acquisition and construction of the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals of issuance of the Series 2008 B Bonds required by State law, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.19. Reserved

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 2008 B Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2008 B Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds and senior and prior to the statutory mortgage lien of the Prior Notes.

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2008 B Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2008 B Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2008 B Bonds made available due to bid or construction or project underruns.

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

## ARTICLE VIII

## INVESTMENT OF FUNDS

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

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

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

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2008 B Bonds as a condition to issuance of the Series 2008 B Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2008 B Bonds as may be necessary in order to maintain the status of the Series 2008 B Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2008 B Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2008 B Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth

in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2008 B Bonds and any additional information requested by the Authority.

## ARTICLE IX

## DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2008 B Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2008 B Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2008 B Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2008 B Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, 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 the Series 2008 B Bonds or the Prior Bonds, it shall constitute an "Event of Default" with respect to the Series 2008 B 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 2008 B Bonds shall be on a parity with 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 2008 B Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then 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 2008 B Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied; except as may otherwise be necessary to assure the exclusion of interest on the Series 2008 B Bonds from gross income for federal income tax purposes.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2008 B Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2008 B 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 2008 B Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2008 B 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 2008 B Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2008 B Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution , the Supplemental Resolution or the Series 2008 B Bonds.

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

Section 11.05. 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; 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 Bonds or any portion thereof are Outstanding.

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

Chairman, the Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

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Adopted this 22nd day of May, 2008.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of the PUTNAM PUBLIC SERVICE DISTRICT on the 22nd day of May, 2008.

Dated: June 6, 2008.

[SEAL]

Secretary

05.20.08
847280.00015

**PUTNAM PUBLIC SERVICE DISTRICT**

Sewer Revenue Bonds, Series 2008 B
(West Virginia Infrastructure Fund)

**SUPPLEMENTAL RESOLUTION**

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF SEWER REVENUE BONDS, SERIES 2008 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF PUTNAM PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2008 B BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2008 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 Putnam Public Service District (the "Issuer") has duly and officially adopted a bond resolution on May 22, 2008 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $509,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2008 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING

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

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

WHEREAS, the Bond Resolution provides for the issuance of the Series 2008 B (West Virginia Infrastructure Fund), of the Issuer (the "Bonds" or the "Series 2008 B Bonds"), in the aggregate principal amount of not to exceed $509,000, and has authorized the execution and delivery of the Loan Agreement relating to the Series 2008 B Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provisions, interest rate, interest and principal payment dates, sale price 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 2008 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 amount, the date, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates, the sale price 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 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 Issuer's Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund), of the Issuer,

originally represented by a single Bond, numbered BR-1, in the principal amount of $509,000. The Series 2008 B Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2048, and shall bear no interest. The principal shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2009, to and including June 1, 2048, 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 2008 B Bonds. The Series 2008 B Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2008 B Bonds.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The price of the Series 2008 B Bonds shall be 100% of par value, there being no interest accrued on the Series 2008 B Bonds, provided that the proceeds of the Series 2008 B Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2008 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 2008 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. Series 2008 B Bonds proceeds in the amount of -0- shall be deposited in the Series 2008 B Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2008 B Bonds proceeds in the amount of -0- shall be deposited in the Series 2008 B Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2008 B Bonds shall be deposited in or credited to the Series 2008 B 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 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2008 B Bonds may be delivered on or about June 6, 2008, to the Authority pursuant to the Loan Agreement.

Section 11. 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 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the 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 2008 B Bonds Sinking Fund and the Series 2008 B Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer shall not permit at any time or times any of the proceeds of the Series 2008 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 2008 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 2008 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 14. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

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

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Adopted this 22nd day of May, 2008.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by Putnam Public Service District on this 22nd day of May, 2008.

Dated: June 6, 2008.

[SEAL]

Secretary

05.22.08
847280.00015

# PUTNAM PUBLIC SERVICE DISTRICT

## SEWER REVENUE BONDS, SERIES 2007 A
## (WEST VIRGINIA INFRASTRUCTURE FUND)

## BOND RESOLUTION

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PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $2,330,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF 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 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. 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 Sewer extension to serve approximately eighty additional customers between Red House and Hometown, 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 Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund pursuant to the Act.

D. 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.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $2,330,000 (the "Series 2007 A Bonds"), to permanently finance the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. 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 2007 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the 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 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

F. The period of usefulness of the System after completion of the Project is not less than 20 years.

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

H. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated October 23, 1975, issued in the original aggregate principal amount of $605,000 (the "Series 1975 Bonds"), (ii) Sewer Revenue Bonds, Series 1979, dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (iii) Sewer Revenue Bonds, Series 1983, dated August 1, 1983, issued in the original aggregate principal amount of $750,000 (the "Series 1983 Bonds"), (iv) Sewer Revenue Bonds, Series 1993 (West Virginia SRF Program), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds"), (v) Sewer Revenue Bonds, Series 1995, dated May 2, 1995, issued in the original aggregate principal amount of $1,300,000 (the "Series 1995 Bonds"), (vi) 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), (vii) 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 2002 B Bonds"), (viii) Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $4,946,000, and (ix) Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $2,104,000. The Series 1975 Bonds, the Series 1979 Bonds, the Series 1983 Bonds, the Series 1993 Bonds, the Series 1995 Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2006 A Bonds and the Series 2006 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.

There are also outstanding obligations of the Issuer which will not rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment being the Sewerage System Bond Anticipation Notes Series 2005 A (West Virginia

Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000 (the "Prior Notes").

The Series 2007 A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain (i) a certificate of an independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and (ii) obtain the written consent of the Holders of the Prior Bonds to the issuance of the Series 2007 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenue or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolutions.

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, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2007 A Bonds, or will have so complied prior to issuance of any thereof, including, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2007 A Bonds, or

any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer, or any 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 or entity in whose name such Bond is registered.

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

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

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Bonds for all or a portion of the proceeds of the Series 2007 A Bonds from the Authority and the Council.

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

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

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

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

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

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

"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 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.

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

"Net Proceeds" means the face amount of the Series 2007 A 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 2007 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

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

than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating 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 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 2007 A Bonds by the Issuer in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1975 Bonds, Series 1979 Bonds, Series 1983 Bonds, Series 1993 Bonds, Series 1995 Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2006 A Bonds and Series 2006 B Bonds, as more particularly described in Section 1.02(H) hereof.

"Prior Notes" means the Issuer's Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), dated September 8, 2005, issued in the original aggregate principal amount of $2,000,000.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, as supplemented, authorizing the Series 1975 Bonds, the Series 1979 Bonds, the Series 1983 Bonds, the Series 1993 Bonds, the Series 1995 Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2006 A Bonds and the Series 2006 B 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.

"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 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 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 and continued hereby.

"Reserve Accounts" means, collectively, the reserve account established for the Series 2007 A 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.

"RUS Bonds" means the (i) Sewer Revenue Bonds, Series 1975, (ii) Sewer Revenue Bonds, Series 1979, (iii) Sewer Revenue Bonds, Series 1983, (iv) Sewer Revenue Bonds, Series 1995,(v) Sewer Revenue Bonds, Series 2002 A, (vi) Sewer Revenue Bonds, Series 2006 A, and (vii) Sewer Revenue Bonds, Series 2006 B.

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

"Series 1975 Bonds" means the Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture) dated October 23, 1975 issued in the aggregate principal amount of $605,000.

"Series 1979 Bonds" means the Sewer Revenue Bonds, Series 1978 (United States Department of Agriculture) dated September 12, 1980 issued in the aggregate principal amount of $2,200,000.

"Series 1983 Bonds" means the Sewer Revenue Bonds, Series 1983 (United States Department of Agriculture) dated August 1, 1983 issued in the aggregate principal amount of $750,000.

"Series 1993 Bonds" means the Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authrity) dated March 30, 1993 issued in the aggregate principal amount of $267,000.

"Series 1995 Bonds" means the Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture) dated May 2, 1995 issued in the aggregate principal amount of $1,300,000.

"Series 2002 A Bonds" means the Sewer Revenue Bonds, Series 2002 A (United States Department of Agriculture) dated March 7, 2002 issued in the aggregate principal amount of $7,078,000.

"Series 2002 B Bonds" means the Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program) dated March 7, 2002 issued in the aggregate principal amount of $1,422,000.

"Series 2006 A Bonds" means the Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture) dated May 12, 2006 issued in the aggregate principal amount of $4,946,000.

"Series 2006 B Bonds" means the Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture) dated May 12, 2006 issued in the aggregate principal amount of $2,104,000.

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 2007 A Bonds Construction Trust Fund" means the Construction Trust Fund for the Series 2007 A Bonds established by Section 5.01 hereof.

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

"Series 2007 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 2007 A Bonds in the then current or any succeeding year.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund established by Section 5.02 hereof.

"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 authorizing the sale of the Series 2007 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2007 A Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues 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.

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

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

## 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 $2,529,197, 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 Authority and the Council.

The cost of the Project is estimated not to exceed $2,529,197, of which $2,330,000 will be obtained from proceeds of the Series 2007 A Bonds and $199,197 from a grant from the U.S. Army Corps of Engineers.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2007 A Bonds, 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 2007 A Bonds of the Issuer. The Series 2007 A Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2007 A (West Virginia Infrastructure Fund)", in the principal amount of not more than $2,330,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2007 A Bonds remaining after funding of the Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 2007 A Bonds, if any, shall be deposited in or credited to the Series 2007 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2007 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 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 2007 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2007 A Bonds 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 2007 A Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2007 A Bonds. The Series 2007 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form, 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 2007 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any 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. The Bond Registrar with respect to the Series 2007 A Bonds shall be the bank to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2007 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 2007 A Bonds shall be conclusive evidence that such Series 2007 A Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2007 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2007 A Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2007 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2007 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive 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 2007 A Bonds remain outstanding, the Bond Registrar for the Series 2007 A 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 2007 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the 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 2007 A Bonds shall not, in any event, be or constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2007 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2007 A Bonds or the interest thereon.

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

shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

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

(1) If other than the Authority, a list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

(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 2007 A Bonds to the original purchasers;

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

(4) An executed copy of the Loan Agreement; and

(5) The unqualified approving opinion of bond counsel on the Series 2007 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2007 A 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 2007 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $2,330,000

KNOW ALL MEN BY THESE PRESENTS: That on this the ____ day of _____, 2007, 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 TWO MILLION THREE HUNDRED THIRTY THOUSAND DOLLARS ($2,330,000), 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.

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

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

between the Issuer and the Authority, on behalf of the Council, dated _____, 2007.

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 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2007, and a Supplemental Resolution duly adopted by the Issuer on _____, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (I) SEWER REVENUE BONDS, SERIES 1975, DATED OCTOBER 23, 1975, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $605,000 (THE "SERIES 1975 BONDS"), (II) SEWER REVENUE BONDS, SERIES 1979, DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS"), (III) SEWER REVENUE BONDS, SERIES 1983, DATED AUGUST 1, 1983, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $750,000 (THE "SERIES 1983 BONDS"), (IV) SEWER REVENUE BONDS, SERIES 1993, DATED MARCH 30, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $267,000 (THE "SERIES 1993 BONDS"), (V) SEWER REVENUE BONDS, SERIES 1995, DATED MAY 2, 1995, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,300,000 (THE "SERIES 1995 BONDS"), (VI) 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), (VII) 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"), (VIII) SEWER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,946,000, AND (IX) SEWER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,104,000. THE SERIES 1975 BONDS, THE SERIES 1979 BONDS, THE SERIES 1983 BONDS, THE SERIES 1993 BONDS, THE SERIES 1995 BONDS, THE SERIES 2002 A BONDS, THE SERIES 2002

B BONDS, THE SERIES 2006 A BONDS AND THE SERIES 2006 B BONDS ARE SOMETIMES HEREINAFTER 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 Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest 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 2007 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided that, so long as the Prior Bonds are no longer outstanding and in the event there exists in the Series 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, 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 the day and year first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: _____, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT 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. The Series 2007 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the 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". Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the Council a schedule, the form of which will be provided by the Council, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

## ARTICLE V

## FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created (or continued if previously established by 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 (established by the Prior Resolutions);

(3) Series 2007 A 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 2007 A Bonds Sinking Fund; and

(2) Series 2007 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner 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 simultaneously, transfer from the Revenue Fund and remit to (i) the Commission or the National Finance Office, as applicable, the amounts required by the Prior Resolutions to pay interest on the Prior Bonds; and (ii) remit to the Commission on the first day of each month, commencing 3 months prior to the first date of payment of interest

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

(3) The Issuer shall next, each month simultaneously, transfer from the Revenue Fund and remit to (i) the Commission or the National Finance Office, as applicable, the amounts required by the Prior Resolutions to pay principal of the Prior Bonds; and (ii) remit to the Commission on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2007 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month simultaneously, transfer from the Revenue Fund and remit to (i) the Commission or the Depository Bank, as applicable, the amounts required by the Prior Resolutions to be deposited in the respective Reserve Accounts for the Prior Bonds, and (ii) 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 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement, until the amount in the Series 2007 A Bonds Reserve Account equals the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

(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; and shall use the monies therein as provided by the Prior Resolutions, except that

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

All investment earnings on monies in the Series 2007 A Bonds Sinking Fund shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, as applicable, be deposited in the Series 2007 A Bonds Construction Trust Fund, and following completion thereof, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2007 A Bonds.

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

As and when additional Bonds ranking on a parity with the Series 2007 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Accounts in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2007 A Bonds Sinking Fund, or the Series 2007 A Bonds Reserve Account when the

aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2007 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal, interest or reserve payments, if applicable, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2007 A Bonds.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund, and the Series 2007 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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

The Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2007 A Bonds, under the conditions and restrictions set forth herein.

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

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

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

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the

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

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

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

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

I. If the Issuer is subject to the rebate requirements of Section 148(f) of the Code and not exempted from such requirements, 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, as more fully described in Article VIII.

## 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 2007 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

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

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

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2007 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2007 A Bonds 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 2007 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2007 A Bonds shall be expended as directed by the Council.

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

Except as provided in Section 6.01 hereof, disbursements of the proceeds of the Series 2007 A Bonds from the Series 2007 A Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

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

The Issuer shall expend all proceeds of the Series 2007 A Bonds within 3 years of the date of issuance of the Authority's bonds, the proceeds of which were used to make the loan to 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 2007 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2007 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2007 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not 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, if any, of the Issuer to pay the Series 2007 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all the Series 2007 A Bonds shall be secured 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 2007 A Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Commission Order of the Public Service Commission of West Virginia entered January 26, 2007, in Case No. 06-0743-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 2007 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums

set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2007 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, lease, mortgage or in any manner dispose of or encumber the System, or any part thereof, except as provided in the Prior Resolutions and with the written consent of the Authority and the Council.

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

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Issuer shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Governing Body may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such

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

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the source fiscal year for such sales, leases or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 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 Authority and the Council prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the System, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior 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 2007 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

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

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

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

(1) The Bonds Outstanding;

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

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

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

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by

the Issuer, the time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

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

No Parity Bonds shall be issued at any time, however, unless all 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 Authority and the Council or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the Council such documents and information as they may reasonably require in connection with the acquisition, construction

and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the Council or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction 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 Council and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of the Bonds, requesting the same, an annual report containing the following:

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

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

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

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

available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2007 A Bonds and shall submit said report to the Authority and the Council, or any other original purchaser of the Series 2007 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

Section 7.09. Rates. Prior to the issuance of the Series 2007 A Bonds, equitable rates or charges for the use of and service rendered by the System 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 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds; provided that, in the event that an amount equal

to or in excess of the reserve requirement is on deposit in the Series 2007 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2007 A Bonds including Prior Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds including Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

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

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the

funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

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

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

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

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

Section 7.14. No Free Services. 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 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 Council and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so

requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. 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 will complete the acquisition and construction of the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals of issuance of the Series 2007 A Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council

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

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 2007 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2007 A Bonds during the term thereof is, under the terms of the Series 2007 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2007 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2007 A Bonds during the term thereof is, under the terms of the Series 2007 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2007 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2007 A Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2007 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2007 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2007 A Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2007 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.20. 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 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2007 A Bonds and shall be 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 2007 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2007 A Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2007 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being 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; 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 2007 A Bonds which would cause the Series 2007 A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2007 A Bonds) so that the interest on the Series 2007 A Bonds will be and remain excluded from gross income for

federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2007 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2007 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and shall be used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the

requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay 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 2007 A 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 2007 A Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority including information with respect to earnings on all funds constituting "gross proceeds" of the Series 2007 A Bonds (as such term "gross proceeds" is defined in the Code).

## ARTICLE IX

## DEFAULT AND REMEDIES

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

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2007 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2007 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, 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 the Series 2007 A Bonds or the Prior Bonds, it shall constitute an "Event of Default" with respect to the Series 2007 A 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 2007 A Bonds shall be on a parity with 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 2007 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then 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 2007 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied; except as may otherwise be necessary to assure the exclusion of interest on the Series 2007 A Bonds from gross income for federal income tax purposes.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2007 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 A Bonds, no material modification or amendment of this Resolution, or of any resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2007 A Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2007 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of 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 2007 A Bonds from gross income of the holders thereof.

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

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

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

Section 11.05. Conflicting Provisions Repealed; Prior 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; 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 Bonds or any portion thereof are Outstanding.

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

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

[Remainder of Page Intentionally Left Blank]

Adopted this 22nd day of February, 2007.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of the PUTNAM PUBLIC SERVICE DISTRICT on the 22nd day of February, 2007.

Dated: March 19, 2007.

[SEAL]

Secretary

02.02.07
847280.00005

PUTNAM PUBLIC SERVICE DISTRICT

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

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF PUTNAM PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2007 A BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2007 A 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 Putnam Public Service District (the "Issuer") has duly and officially adopted a bond resolution on February 22, 2007 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $2,330,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL

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

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

WHEREAS, the Bond Resolution provides for the issuance of the Series 2007 A (West Virginia Infrastructure Fund), of the Issuer (the "Bonds" or the "Series 2007 A Bonds"), in the aggregate principal amount of not to exceed $2,330,000, and has authorized the execution and delivery of the Loan Agreement relating to the Series 2007 A Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provisions, interest rate, interest and principal payment dates, sale price 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 2007 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates, the sale price 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 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 Issuer's Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $2,330,000. The Series 2007 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2028, and shall bear interest at the rate of three percent (3%) per annum. The principal of and interest on Series 2007 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2008, and maturing June 1, 2028 , and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2007 A Bonds. The Series 2007 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the 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 2007 A Bonds.

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

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

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2007 A Bonds under the 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 2007 A 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. Series 2007 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2007 A Bonds Sinking Fund, as capitalized interest.

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

Section 9. The balance of the proceeds of the Series 2007 A Bonds shall be deposited in or credited to the Series 2007 A Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2007 A Bonds may be delivered on or about March 19, 2007, to the Authority pursuant to the Loan Agreement.

Section 11. 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 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the 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 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer shall not permit at any time or times any of the proceeds of the Series 2007 A Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 2007 A Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 2007 A Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 14. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

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

Adopted this 22nd day of February, 2007.

PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

## CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by Putnam Public Service District on this 22nd day of February, 2007.

Dated: March 19, 2007.

[SEAL]

Secretary

02.09.07
847280.00005

CH823509.1

# $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

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$267,000 NORTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, 1993 SERIES A

BOND RESOLUTION

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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: Stanley Evans
Its: Chief

Date: February 16, 1993

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Daniel B. Yankosky
Its: Director

Date: February 16, 1993

(SEAL)

Attest:

Barbara B Meadows
Secretary-Treasurer

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

## CONFORMED BOND RESOLUTION

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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) | $ | |
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| (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)

# SOUTH PUTNAM PUBLIC SERVICE DISTRICT

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

## NOTE RESOLUTION

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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 Commission The 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.

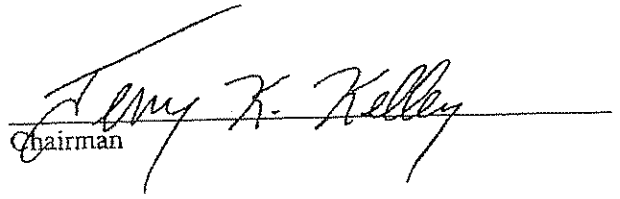
Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

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.

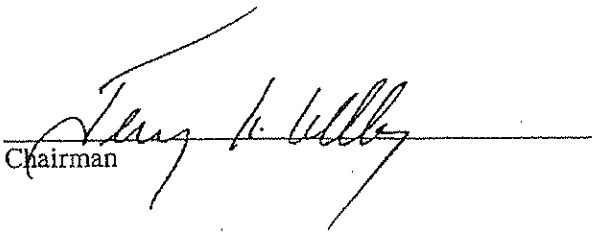
Section 9. The acquisition and construction of the Project and the temporary financing thereof in part with proceeds of the Notes are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

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

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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

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

# SOUTH PUTNAM PUBLIC SERVICE DISTRICT

## Sewer Revenue Bond, Series 1995

## BOND RESOLUTION

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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

TEAYS VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bond, Series 1979

and

Bond and Grant Anticipation Notes

BOND RESOLUTION

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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 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 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 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 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

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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.

Chairman of Public Service Board

Member

Member

WEST VIRGINIA
**Water Development Authority**
*Celebrating 35 Years of Service 1974 - 2009*

June 26, 2009

Putnam Public Service District
Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Bassett & Lowe, the independent certified public accountants and an opinion of Steptoe & Johnson PLLC, bond counsel, that the coverage and parity tests have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Prior Bonds, hereinafter defined and described, of Putnam Public Service District (the "Issuer"), hereby consents to the issuance of the Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture) (the "Bonds"), by the Issuer, under the terms of the resolution authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment with the (i) Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority), dated March 30, 1993, issued in the original aggregate principal amount of $267,000, (ii) the 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, (iii) Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated March 19, 2007, issued in the original aggregate principal amount of $2,330,000, (iv) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated January 28, 2008, issued in the original aggregate principal amount of $3,680,000, and (v) Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund), dated June 6, 2008, issued in the original aggregate principal amount of $509,000 (collectively, the "Prior Bonds").

The Authority, as registered owner of the Issuer's Sewerage System Bond Anticipation Notes, Series 2005 A (the "Prior Notes"), hereby consents to the issuance of the Bonds without prepayment of the Prior Notes.

WITNESSETH my signature on this 26th day of June, 2009.

Carol A. Cummings
Authorized Representative

180 Association Drive, Charleston, WV 25311-1217
phone (304) 558-3612 / fax (304) 558-0299
www.wvwda.org

**United States Department of Agriculture**
**Rural Development**
West Virginia State Office

June 26, 2009

Putnam Public Service District
Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the Prior Bonds, hereinafter defined and described, hereby (a) consents to the issuance of the Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture), in the original aggregate principal amount not to exceed $4,520,000 (the "Series 2009 A Bonds"), by Putnam Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Bonds (the "Resolution"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding (i) Sewer Revenue Bonds, Series 1975, dated October 23, 1975, issued in the original aggregate principal amount of $605,000, (ii) Sewer Revenue Bonds, Series 1979, dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000, (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, dated March 7, 2002, issued in the original aggregate principal amount of $7,078,000, (v) Sewer Revenue Bonds, Series 2006 A, dated May 12, 2006, issued in the original aggregate principal amount of $4,946,000, (vi) Sewer Revenue Bonds, Series 2006 B, dated May 12, 2006, issued in the original aggregate principal amount of $2,104,000 (collectively, the "Prior Bonds"); and (b) waives any requirements imposed by the Prior Bonds or the resolution authorizing the Prior Bonds (the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Bonds or the Resolution; and (c) consents to any amendments made to the Prior Resolutions by the Resolution.

WITNESSETH my signature on this 26th day of June, 2009.

Dianne Goff Crysler
DIANNE GOFF CRYSLER
Acting State Director

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26505-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: http://www.rurdev.usda.gov/wv

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847280,00014

Tony's Hollow

**United States Department of Agriculture**
**Rural Development**
Beckley Area Office

July 24, 2007

Mr. Jerry K. Kelley
Putnam Public Service District
Post Office Box 860
Scott Depot, WV 25560

RE: Sewer System Improvements & Extension Project

Dear Mr. Kelley:

We are in receipt of your application for assistance from the Rural Utilities Service for your proposed sewer project. The proposed project has been found eligible for funding by this agency. It will compete with similar applications through a priority ranking system for Fiscal Year 2007 funds.

In your application, you requested $4,562,600.00 in federal assistance. We are agreeable to consideration of approximately this amount, subject to availability of funds.

The Preliminary Engineering Report has been reviewed by our State Engineer and was found acceptable.

You are advised against incurring any obligations, or taking any actions that would have an adverse effect on the environment. Satisfactory completion of the environment review process must occur prior to the issuance of a Letter of Conditions. Further consideration of your request will proceed when a final determination has been reached regarding the environmental impacts of the project.

If you have any questions, please contact this office.

Sincerely

Teresa A. Miller

TERESA A. MILLER
Rural Development Specialist

481 Ragland Rd. • Beckley, WV 25801
Phone: (304) 253-9597 • Toll Free: (800) 295-8228 • Fax: (304) 252-5809 • TDD: (304) 284-4836 • Web: http://www.rurdev.usda.gov/wv

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Bond Counsel

**United States Department of Agriculture**
**Rural Development**
West Virginia State Office

September 12, 2007

Joe E. Miller, Chairman
Putnam Public Service District
P.O. Box 860
Scott Depot, WV 25560

Dear Mr. Miller:

This letter, with Attachments 1 through 12 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS loan in the amount of $4,520,000, for a total project cost of $4,520,000.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing.

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

Attachment No. 1 - Project Construction Budget (All Copies)
Attachment No. 2 - Water and Waste Processing Checklist for Putnam PSD (All Copies)
Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)
Attachment No. 6 - RUS Supplemental General Conditions (Engineer Copy)
Attachment No. 7 - RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Project with RUS Financial Assistance"



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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

Attachment No. 8 - Government Auditing Standards (Revision 2003) (Accountant Copy)
Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
Attachment No. 10 - RUS Bulletin 1780-31, "Water Programs Compliance Supplement for OMB Circular A-133 Audits"
Attachment No. 11 - Sample Credit Agreement (Applicant Copy)
Attachment No. 12 - Various other RD Forms as identified on Attachment No. 2

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4 ¼% interest rate and a monthly amortization factor of .00443, which provides for a monthly payment of $20,024. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

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

2. Security - The loan must be secured by a statutory lien of equal priority, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-27 which is mentioned later.

3. Users - This conditional commitment is based upon you providing evidence that you will have at least 7,777 bona fide users on the proposed system when it has been completed and is placed in operation.

   This evidence will consist of a signed certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing sewer system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids. The 37 proposed new users on the system will be required by statute (mandatory hook-up provision) to connect to and utilize the system. The PSD must provide a written certification that it will enforce the state statute.

4. Bond Counsel Services - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Subpart D of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

5. Accounting Services – The accountant must agree to develop and provide the following:

    a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).

    b. Prior to loan closing, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

    RUS regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your PSD. The attached booklets, "Government Auditing Standards (Revised 2003)" (Attachment No. 8), and RUS Bulletins 1780-30 and 1780-31 (Attachment Nos. 9 and 10) outline audit requirements.

    You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends $500,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

6. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:

    a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.

    b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form RD 1927-9, "Preliminary Title Opinion" may be used. In the case of your existing system or where the PSD already acquired real property

(land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.

c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.

d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions. The attorney's legal opinion should include a certification that all requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and West Virginia State Code Chapter 54 have been met in the acquisition of both real property and rights-of-way. Such requirements may include, but are not limited to, distributing informational material to all affected property owners, and completing appraisals of the affected properties.

e. On the day of loan closing, the PSD's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the PSD has already acquired real property(s) (land or facilities), the PSD's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.

7. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:

- West Virginia Department of Highways
- Railroads
- State Department of Health
- Department of Environmental Protection
- Corps of Engineers
- Public Land Corporation

8. Public Service Commission Approvals - You must obtain the following from the West Virginia Public Service Commission:

a. A Certificate of Convenience and Necessity.

b. Approval of user charges that are acceptable to you and the Rural Utilities Service.

c. Approval of financing for the project's proposed financing arrangements.

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

9. Insurance and Bonding Requirements - Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:

   a. Liability Insurance - Personal Liability - $500,000; Property Damage - $200,000 - $200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.

   b. Workers' Compensation - In accordance with appropriate State laws.

   c. Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. During the construction phase of your project, this maximum amount will be much greater than normal; therefore, it is our recommendation that you temporarily increase your coverage to the estimated highest monthly construction drawdown. Once construction is complete, you may decrease the amount of your coverage. Please note that the cost of the temporary increase in coverage is an eligible project cost.

      The minimum coverage acceptable to RUS once your project is in operation will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).

   d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:

      i. If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.

ii. Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.

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

10. Contract Documents, Final Plans and Specifications –

a. The contract documents should consist of the following:

i. EJCDC Document No. C-521, 2002 Edition, "Standard Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. C-710, 2002 Edition, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.

ii. "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance," is enclosed for use by your engineer in the preparation of the contract documents (Attachment No. 7).

b. The contract documents must provide, as a minimum, the following insurance:

i. Liability Insurance - Personal Liability - $500,000; Property Damage - $200,000 - $200,000. This coverage must include indemnification of the PSD and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.

ii. Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.

iii. Workers' Compensation - In accordance with applicable State laws.

c. The contract documents and final plans and specifications must be submitted to RUS for approval.

d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

11. State Prevailing Wage Law - You should ensure that all requirements of Article 5A of the West Virginia State Prevailing Wage Law, "Wages for Construction of Public Improvements" are met during construction of the project.

12. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 11).

13. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account.

    Public Bodies – Interest earned on grant funds in excess of $100 per year will be submitted to RUS at least quarterly as required in 7 CFR 3016.

    The PSD will establish a separate fund, to be known and hereafter referred to as the Construction Account, with a lending institution insured by the Federal Deposit Corporation. The account shall be used solely for the purpose of paying the costs of the project as outlined in the construction budget. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the Construction Account. All deposits in excess of $100,000 will be secured by a collateral pledge in accordance with Treasury Circular Number 176.

    The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.

14. Sewage Treatment Contract - You propose to purchase sewage treatment from the City of Hurricane; therefore, you must enter into a Sewage Treatment Contract. Form RD 442-30, "Water Purchase Contract" may be used as a guide.

15. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

    Form RD 1940-1 - "Request for Obligation of Funds"
    RUS Bulletin 1780-27 - "Loan Resolution (Public Bodies)"
    Form RD 400-1 - "Equal Opportunity Agreement"
    Form RD 400-4 - "Assurance Agreement"
    Form AD 1047 - "Certification Regarding Debarment - Primary"
    Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"
    FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
    Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)
    Certification of Compliance
    Form RD 1942-46, "Letter of Intent to Meet Conditions"

16. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan docket. All the items listed must be included in the loan docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.

17. Upon receipt of the loan docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS loan funds and would be applied as an extra payment toward the loan balance.

If the conditions set forth in this letter are not met within twelve (12) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the twelve-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

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

Sincerely yours,

RANDY B. PLUM
Acting State Director

Enclosures

cc: Rural Development Specialist
Beckley, WV

Joseph T. Carney, P.E.
E.L. Robinson
5088 Washington Street, West
Charleston, WV 25313

Ralph Bassett, Jr.
1156 South Main Street
Milton, WV 25541

Steptoe & Johnson
Attorney's at Law
P.O. Box 1588
Charleston, WV 25326

David O. Moye
P.O. Box 1074
Hurricane, WV 25526

Robert R. Rodecker
P.O. Box 3713
Charleston, WV 25337

Attachment No. 1 to Letter of Conditions
For: Putnam Public Service Distict
Date: September 12, 2007

Project Construction Budget

| PROJECT COST | RUS LOAN | TOTAL |
|---|---|---|
| CONSTRUCTION | $ 2,851,510 | $ 2,851,510 |
| CONST. CONTINGENCY | $ 343,690 | $ 343,690 |
| LAND & RIGHTS | $ 100,000 | $ 100,000 |
| LEGAL FEES | $ 26,000 | $ 26,000 |
| BOND COUNSEL | $ 31,500 | $ 31,500 |
| ACCOUNTING | $ 10,000 | $ 10,000 |
| ENGINEERING FEES | $ 473,100 | $ 473,100 |
| Basic - $ 153100 | | |
| Insp. - $ 220000 | | |
| Special - $ 100000 | | |
| INTEREST | $ 384,200 | $ 384,200 |
| PERMITS | $ 100,000 | $ 100,000 |
| EQUIPMENT | $ 200,000 | $ 200,000 |
| PROJECT CONTG. | | $ - |
| **TOTAL** | **$ 4,520,000** | **$ 4,520,000** |

Rates

Available for general domestic, commercial, and industrial service.

| | | | | |
|---|---|---|---|---|
| First | 2,000 | gallons @ | $9.88 | per M gallons |
| Over | 2,000 | gallons @ | $9.88 | per M gallons |

Minimum Charge

| | | | | |
|---|---|---|---|---|
| Minimum Monthly Bill | $19.76 | for | 2,000 | gallons |

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid.

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

Connection Charge

Prior to Construction - $100.00

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

Reconnection Charge

Water Service customers from Culloden PSD - $15.00
Water Service customers from City of Hurricane and West Virginia-American Water - $25.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

**PUTNAM PUBLIC SERVICE DISTRICT - SEWER - COMBINED** * -- Teays Hollow
**RULE 42 EXHIBIT - Certificate Case** * Combined Statements of Putnam and North Putnam PSD's
**CUSTOMER BILL ANALYSIS - PER BOOKS**
**FOR THE FISCAL YEAR ENDED June 30, 2006**

Stmt D

| Blocking | All Customers | Min | # of Bills | Consumption in 1,000 gal | Per Books Actual per 1,000 gal or Min Rate $ | Rate / 1,000 | Going Level Consumpt 1,000 gal | Going Level Actual per 1,000 gal or Min Rate $ | Proforma Hometown Change in Rate | Proforma Hometown Actual per 1,000 gal or Min Rate $ | Proforma Teays Hollow Change in Rate | Proforma Teays Hollow Actual per 1,000 gal or Min Rate $ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Putnam | | | | | | 7.91 | | | | | | |
| | Minimum | | 16,697 | 19,340.8 | 193,223.13 | 1.50 | | | 0.10 | | existing | |
| | All other | | 72,552 | 469,996.7 | 2,794,004.61 | 9.41 | | 293,157.74 | 0.10 | 295,091.82 | $9.51 Incr. | 307,447.60 |
| | | | | | | | | 4,422,668.95 | | 4,469,668.62 | 0.37 | 4,643,567.40 |
| North Putnam | | | | | | | | | Total 9.51 | | | |
| | Minimum | | 2,091 | 2,447.8 | 30,008.55 | | | 36,751.32 | | 36,996.10 | | 38,543.44 |
| | All other | | 5,235 | 24,088.7 | 209,750.25 | | | 226,674.67 | | 229,083.54 | | 237,996.36 |
| Putnam Utilities | | | | | | | | | | | | |
| | Minimum - First 2,400 | 15.94 | 403 | 645.6 | 6,602.87 | | | | | | | |
| | Minimum - Next 600 | | 259 | 709.2 | 4,167.96 | | | | | | | |
| | Next - 3,000 | | 947 | 4,128.8 | 21,393.45 | | | | | | | |
| | Next - 4,000 | | 313 | 2,355.9 | 11,705.14 | | | | | | | |
| | All Over - 10,000 | | 71 | 952.1 | 4,429.48 | | | | | | | |
| | Sub Total | | 1,993 | 8,791.6 | 48,298.90 | | | | | | | |
| ***Putnam Utilities - for: Going Level & Proforma*** | | | | | | | | | | | | |
| ***Not in per Books*** | *Minimum* | | *305* | *426.5* | *5,012.60* | | | *5,464.85* | | *5,507.50* | | *5,733.20* |
| | *All other* | | *888* | *8,365.1* | *43,286.30* | | | *78,715.59* | | *79,552.10* | | *82,647.19* |
| | Sub Total | | 1,993 | 8,791.6 | 48,298.90 | | | 84,180.44 | | 85,059.60 | | 88,380.39 |
| Well Customers | | | 286 | | 5,068.41 | 22.23 | | 6,357.78 | 26.91 | 7,696.26 | 27.96 | 7,996.56 |
| TOTALS | | | 98,568 | 524,665.60 | 3,275,285.44 | | | | | | | |
| New Customers | | | | | | | | | | | | |
| | 4500 gal average use - Kan Valley | | 6,600 | 29,700.0 | | | | 279,477.00 | | 282,447.00 | | 293,436.00 |
| | 4500 gal average use - Red House | | 960 | 4,320.0 | | | | 40,651.20 | | 41,083.20 | | 42,681.60 |
| ***4500 gal aver. use - Ventroux/Garage*** | | | 996 | 4,482.0 | | | | | | 42,623.82 | | 44,282.16 |
| | 4500 gal average use - Hometown | | 600 | 2,700.0 | | | | | | 25,677.00 | | 26,676.00 |
| TOTALS | | | | | | | | 5,389,919.10 | | 5,515,426.96 | | 5,731,007.50 |

**UNAUDITED**

*PUTNAM PUBLIC SERVICE DISTRICT*
OPERATING BUDGET

| | | |
|---|---|---|
| OPERATING INCOME | | |
| Metered Sales | $ 5,749,061 | |
| Penalties | $ 104,934 | |
| Other Income | $ 182,528 | |
| Reconnect Fees | $ 2,920 | |
| TOTAL OPERATING INCOME | | $ 6,039,443 |
| NON OPERATING INCOME | | |
| Interest income | $ 6,092 | |
| TOTAL NON OPERATING INCOME | | $ 6,092 |
| TOTAL INCOME | | $ 6,045,535 |
| EXPENSES | | |
| O & M | $ 3,347,725 | |
| Taxes | $ 80,984 | |
| TOTAL EXPENSES | | $ 3,428,709 |
| INCOME AVAILABLE FOR D/S (A) | | $ 2,616,826 |
| DEBT SERVICE | | |
| Existing Bond P & I (B) | $ 1,400,812 | |
| Proposed Bond P & I (B) | $ 469,896 | |
| TOTAL DEBT SERVICE | | $ 1,870,708 |
| DEBT SERVICE RESERVE | | |
| Debt Service Reserve* | $ 118,291 | |
| TOTAL DEBT SERVICE RESERVE | | $ 118,291 |
| SURPLUS (DEFICIT) | | $ 627,827 |
| DEBT COVERAGE (A/B) | | $ 1.40 |

Proposed bond consists of RUS loan of 4,520,000 @ 4.25% for 38 years
and Ventroux/Garage Project that will close within a few months.

Attachment No. 2 to Letter of Conditions
For: Putnam PSD
Date: September 12, 2007

**UNITED STATES DEPARTMENT OF AGRICULTURE**
**RURAL UTILITIES SERVICE**
**Water and Waste Processing Checklist**

| Form Number | Document or Action | Number Needed | Procedure Reference | Provided By | Target Date | Date Received | File Position |
|---|---|---|---|---|---|---|---|
| SF 424.2 | Application for Federal Assistance | 3 | 1780.31(b) | Applicant | | Have | 3 |
| | DUNS Number | 1 | | Applicant | | Have | 3 |
| | CAIVRS Number | 1 | | RUS | | Have | CPAP Form |
| | Public Notice of Intent to File App./ Env. Notice | 3 | 1780.19(a) 1794 | Applicant | | Have | 3 |
| Bulletin 1780-22 | Applicant Eligibility Certification/ Other Credit Certification | 1 | 1780.33(d) | Applicant | | Have | 3 |
| | Bond Ordn. or Resol. On Outstanding Debts | 1 | 1780.33(e) | Applicant/ Attorney | | Have | 5 |
| | Bonds or Notes Outstanding Debt | 1 | 1780.33(e) | Applicant/ Attorney | | Have | 2 |
| | Audit for last year of operation | 1 | 1780.33(e) | Applicant/ Accountant | | Have | 1 |
| | Staff Review Financial Statements | 1 | S.I. 1780.2 | RUS | | Have | 1 |
| EJCDC No. 1910-1-FA | Agreement between Owner & Engineer | 3 | 1780.39(b) | Applicant/ Engineer | | Have | 6 |

| Form Number | Document or Action | Number Needed | Procedure Reference | Provided By | Target Date | Date Received | File Position |
|---|---|---|---|---|---|---|---|
| Bulletin 1780-7 or other approved | Legal Services Agreement with Local Attorney | 3 | 1780.39 (b)(2) | Applicant/ Attorney | | Have | 5 |
| | Site Visit | | S.I. 1780-2 | RUS | | | 3 |
| | Processing Conference | 1 | 1780.39(a) | RUS | | Have | 3 |
| | Environmental Report | 2 | 1794 | Applicant | | Have | 3 |
| | Environmental Assessment | 2 | 1794 | RUS/ Engineer | | Have | 3 |
| | FONSI/ Evidence of Publication | 1 | Exhibit 1 RUS 1794 News Ad | RUS/ Applicant | | Have | 3 |
| Bulletins 1780-2 1780-3 | Preliminary Engineering Report | 2 | 1780.33(c) | Engineer | | Have | 6 |
| | Staff Engineer PER Review | 1 | 1780.33(c) | RUS | | Have | 3 |
| | Bill Analysis for existing system(s) | 2 | 1780.33(c) | Applicant/ Engineer | | Have | 8 |
| | Projected Bill Analysis for New Users | 2 | 1780.33(c) | Applicant/ Engineer | | Have | 8 |
| | Statement reporting the total number of potential users | | 1780.33(c) | Applicant/ Engineer | | Have | 8 |
| | Rate Tariff | 2 | 1780.33 | Applicant | | Have | 8 |
| | Applicant's IRS Tax Number(TIN) | 1 | 1780.33(g) | Applicant | | Have | 3 |

| Form Number | Document or Action | Number Needed | Procedure Reference | Provided By | Target Date | Date Received | File Position |
|---|---|---|---|---|---|---|---|
| | Agency Determination on the Availability of "Other Credit" with Documentation | 1 | 1780.7(d) | RUS | | Have | 3 |
| | Documentation on Service Area | 1 | 1780.11 | RUS | | Have | 3 |
| Bulletin 1780-1 | Project Selection Criteria | 2 | 1780.17 | RUS | | Have | 1 |
| | Letter of Conditions | 7 | 1780.41 (a)(5) | RUS | | Have | 3 |
| Exhibit A / A-1 | Certifications Regarding Lobbying | 2 | 1780.33(h) | Applicant | | Have | 2 |
| CPAP Form | Project Information | 3 | 1780.41(a) | RUS | | Have | 1 |
| RD 1940-1 | Request for Obligation of Funds | 4 | 1780.41(a) | RUS/ Applicant | | Have | 2 |
| RD 1942-46 | Letter of Intent to Meet Conditions | 2 | 1780.41 (a)(6) | Applicant | | Have | 3 |
| AD 1047 | Certification Regarding Debarment (Primary) | 1 | 1780.33(h) | Applicant | | Have | 5 |
| | Relationships/ Associations with Agency Employees | 1 | 1780.1(f) | RUS | | Have | 3 |
| RD 1910-11 | Applicant Certification, Federal Collection Policies | 1 | 1780.33(h) | Applicant | | Have | 3 |
| Bulletin 1780-27 | Loan Resolution | 1 | 1780.45 (a)(2) | Applicant | | Have | 5 |

| Form Number | Document or Action | Number Needed | Procedure Reference | Provided By | Target Date | Date Received | File Position |
|---|---|---|---|---|---|---|---|
| RD 400-1 | Equal Opportunity Agreement | 1 | 1901-E | Applicant | | Have | 6 |
| RD 400-4 | Assurance Agreement | 1 | 1901-E | Applicant | | Have | 3 |
| | Legal Services Agreement with Bond Counsel | 1 | 1780.39 (b)(3) | Applicant/ Bond Counsel | | | 5 |
| | Agreement for Accounting Services | 1 | 1780.39 (b)(2) | Applicant/ Accountant | | Have | 5 |
| | Evidence of Users: | | | | | | |
| | 1. Certification Relative to Existing Users | 1 | LOC | Applicant | | | 5 |
| | Verification of Users | 1 | 1780.44(b) | RUS | | | 3 |
| | Sewer Treatment Contract | 1 | 1780.62/ 1780.63 | Applicant/ Attorney/ RUS | | | 5 |
| | Accountant's Certification | 1 | LOC | Applicant/ Accountant | | | 3 |
| | RUS Review of Accounting Records | 1 | S.I. 1780-4 (1)(ii) | RUS | | | 3 |
| | Copy of PSC Rule 42 Exhibit | 1 | State | Attorney/ Accountant | | | 3 |
| Lender Agreement/ Bulletin 1780-10/ 1780-10a | Interim Financing Documenta-tion | 1 | 1780.39(d) | Applicant/ RUS | | | 1 |

| Form Number | Document or Action | Number Needed | Procedure Reference | Provided By | Target Date | Date Received | File Position |
|---|---|---|---|---|---|---|---|
| | DOH Permit | 1 | 1780.15(d) | Applicant | | | 6 |
| | Railroad Permit | 1 | 1780.15(d) | Applicant | | | 6 |
| | Public Land Corp. Permit | 1 | 1780.15(d) | Applicant | | | 6 |
| | Corps of Engineers Permit | 1 | 1780.15(d) | Applicant | | | 6 |
| | Dept. of Health Approval | 1 | 1780.15(d) | Engineer | | | 6 |
| | Dept. of Environmental Protection Permit | 1 | 1780.15(d) | Engineer | | | 6 |
| | Contract Documents, Plans & Specifications | 2 | 1780.61(a) | Engineer | | | Separate File |
| | Agency Determination on Procurement | 1 | 1780.70(d) | RUS | | | 6 |
| | Preliminary Bond Transcript Documents w/o Defeasance Provisions | 2 | 1780.83 | Bond Counsel | | | 5 |
| | Right-of-Way Map | 1 | 1780.44(g) | Engineer | | | Separate File |
| | Deeds and/or Options | | 1780.44.(g) | Applicant/ Attorney | | | 5 |
| RD 1927-9 | Preliminary Title Opinion | 1 | 1780.44 (g)(2) | Applicant/ Attorney | | | 5 |
| | Narrative Opinion from Attorney | 1 | 1780.44(g) | Attorney | | | 5 |

| Form Number | Document or Action | Number Needed | Procedure Reference | Provided By | Target Date | Date Received | File Position |
|---|---|---|---|---|---|---|---|
| | Waiver of Title Defects Letter | 1 | 1780.44(g) | RUS | | | 5 |
| RD 442-22 | Opinion of Counsel Relative to R/Ways | | 1780.44 (g)(1) | Attorney | | | 5 |
| | Review of Outstanding Judgment | 1 | 1780.7(g) | RUS/ Attorney | | | 3 |
| SF 3881 | Electronic Funds Transfer Payment Enrollment Form | 1 | 31 CFR 208 | Applicant/ Financial Institution | | | 2 |
| | Documenta-tion Relative to Health or Sanitary Hazards | 1 | 1780.1 (c)(1) 1780.13 (b)(1) | RUS/State Health Department | | | 2 |
| | PSC Approval | 1 | 1780.15(b) | Applicant/ Attorney | | | 6 |
| | Bid Tabulation | 1 | 1780.61(b) | Engineer | | | 6 |
| | OGC Closing Instructions | 1 | 1780.44(h) | RUS | | | 5 |
| | S/O Closing Instructions | 1 | 1780.44(h) | RUS | | | 5 |
| RD 1927-10 | Final Title Opinion | 1 | 1780.44 (g)(2) | Applicant/ Attorney | | | 5 |
| | Bond Tran-script Docu-ments w/o Defeasance Provisions | 3 | 1780.83 | Bond Counsel | | | Separate File |
| RD 400-8 | Compliance Review | 1 | 1780.44(c) | RUS | | | 5 |

| Form Number | Document or Action | Number Needed | Procedure Reference | Provided By | Target Date | Date Received | File Position |
|---|---|---|---|---|---|---|---|
| | Liability Insurance | 1 | 1780.39(g) | Applicant | | | 7 |
| | Workers' Compensation Certificate | 1 | 1780.39(g) | Applicant | | | 7 |
| | Flood Insurance Policy | 1 | 1780.39(g) | Applicant | | | 7 |
| 440-24 | Fidelity Bond | 1 | 1780.39(g) | Applicant | | | 7 |
| 1924-16 | Record of Pre-Construction Conference | 1 | 1780.76(a) | RUS/ Engineer | | | 6 |
| AD 1048 | Certification Regarding Debarment (Contractor) | 1 each | 1780.33(h) | All Appropriate Vendors | | | 5 |
| | OGC Final Opinion | 1 | 1780.45(g) | RUS | | | 5 |

Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants"

§1780.80 General.

This subpart includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, referred to as bonds in this subpart) and other necessary loan documents.

§1780.81 Policies related to use of bond counsel.

The applicant is responsible for preparation of bonds and bond transcript documents. The applicant will obtain the services and opinion of recognized bond counsel experienced in municipal financing with respect to the validity of a bond issue, except for issues of $100,000 or less. With prior approval of the approval official, the applicant may elect not to use bond counsel. Such issues will be closed in accordance with the following:

(a) The applicant must recognize and accept the fact that application processing may require additional legal and administrative time;

(b) It must be established that not using bond counsel will produce significant savings in total legal costs;

(c) The local attorney must be able and experienced in handling this type of legal work;

(d) The applicant must understand that it will likely have to obtain an opinion from bond counsel at its expense should the Agency require refinancing of the debt;

(e) Bonds will be prepared in accordance with this regulation and conform as closely as possible to the preferred methods of preparation stated in §1780.94; and

(f) Closing instructions must be issued by OGC.

§1780.82 [Reserved]

§1780.83 Bond transcript documents

Any questions relating to Agency requirements should be discussed with Agency representatives. Bond counsel or local counsel, as appropriate, must furnish at least two complete sets of the following to the applicant, who will furnish one complete set to the Agency:

(a) Copies of all organizational documents;

(b) Copies of general incumbency certificate;

(c) Certified copies of minutes or excerpts from all meetings of the governing body at which action was taken in connection with the authorizing and issuing of the bonds;

(d) Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding a favorable bond election, if one is necessary;

(e) Certified copies of the resolutions, ordinances, or other documents such as the bond authorizing resolutions or ordinances and any resolution establishing rates and regulating use of facility, if such documents are not included in the minutes furnished;

(f) Copies of the official Notice of Sale and the affidavit of publication of the Notice of Sale when State statute requires a public sale;

(g) Specimen bond, with any attached coupons;

(h) Attorney's no-litigation certificate;

(i) Certified copies of resolutions or other documents pertaining to the bond award;

(j) Any additional or supporting documents required by bond counsel;

(k) For loans involving multiple advances of Agency loan funds, a preliminary approving opinion of bond counsel (or local counsel if no bond counsel is involved) if a final unqualified opinion cannot be obtained until all funds are advanced. The preliminary opinion for the entire issue shall be delivered at or before the time of the first advance of funds. It will state that the applicant has the legal authority to issue the bonds, construct, operate and maintain the facility, and repay the loan, subject only to changes occurring during the advance of funds, such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates;

(l) Final unqualified approving opinion of bond counsel, (and preliminary approving opinion, if required) or local counsel if no bond counsel is involved, including an opinion as to whether interest on bonds will be exempt from Federal and State income taxes. With approval of the State program official, a final opinion may be qualified to the extent that litigation is pending relating to Indian claims that may affect title to land or validity of the obligation. It is permissible for such opinion to contain language referring to the last sentence of Section 306 (a)(1) or to Section 309A (h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 (a)(1) or 1929a (h)).

§§1780.84 and 1780.86 [Reserved]

§1780.87 Permanent instruments for Agency loans.

Agency loans will be evidenced by an instrument determined legally sufficient and in accordance with the following order of preference:

(a) First preference - Form RD 440-22, "Promissory Note". Refer to paragraph (b) of this section for methods of various frequency payment calculations.

(b) Second preference - single instruments with amortized installments. A single instrument providing for amortized installments which follows Form RD 440-22 as closely as possible. The full amount of the loan must show on the face of the instrument, and there must be provisions for entering the date and amount of each advance on the reverse or an attachment. When principal payments are deferred, the instrument will show that "interest only" is due on interest-only installment dates, rather than specific dollar amounts. The payment period including the "interest only" installment cannot exceed 40 years, the useful life of the facility, or State statute limitations, whichever occurs first. The amortized installment, computed as follows, will be shown as due on installment dates thereafter.

(1) Monthly payments. Multiply by twelve the number of years between the due date of the last interest-only installment and the final installment to determine the number of monthly payments. When there are no interest-only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the loan amount by the amortization factor and round to the next higher dollar.

(2) Semiannual payments. Multiply by two the number of years between the due date of the last interest-only installment and the due date of the final installment to determine the correct number of semiannual periods. When there are no interest-only installments, multiply by two the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor.

(3) Annual payments. Subtract the due date of the last interest-only installment from the due date of the final installment to determine the number of annual payments. When there are no interest-only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor and round to the next higher dollar.

(c) Third preference - single instruments with installments of principal plus interest. If a single instrument with amortized installments is not legally permissible, use a single instrument providing for installments of principal plus interest accrued on the principal balance. For bonds with semiannual interest and annual principal, the interest is calculated by multiplying the principal balance times the interest rate and dividing this figure by two. Principal installments are to be scheduled so that total combined interest and principal payments closely approximate amortized payments.

(1) The repayment terms concerning interest only installments described in paragraph (b) of this section apply.

(2) The instrument shall contain in substance provisions indicating:

(i) Principal maturities and due dates;

(ii) Regular payments shall be applied first to interest due through the next principal and interest installment due date and then to principal due in chronological order stipulated in the bond; and

(iii) Payments on delinquent accounts will be applied in the following sequence:

(A) billed delinquent interest;

(B) past due interest installments;

(C) past due principal installments;

(D) interest installment due; and

(E) principal installment due.

(d) Fourth preference - serial bonds with installments of principal plus interest. If instruments described under the first, second, and third preferences are not legally permissible, use serial bonds with a bond or bonds delivered in the amount of each advance. Bonds will be numbered consecutively and delivered in chronological order. Such bonds will conform to the minimum requirements of §1780.94. Provisions for application of payments will be the same as those set forth in paragraph (c)(2)(ii) of this section.

(e) Coupon bonds. Coupon bonds will not be used unless required by State statute. Such bonds will conform to the minimum requirements of §1780.94.

§1780.88 [Reserved]

§1780.89 Multiple advances of Agency funds using permanent instruments.

Where interim financing from commercial sources is not used, Agency loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

§1780.90 Multiple advances of Agency funds using temporary debt instruments.

When none of the instruments described in §1780.87 are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advances of Agency funds and will be for the full amount of the Agency loan. The instrument will be prepared by bond counsel, or local counsel if bond counsel is not involved, and approved by the State program official and OGC. At the same time the Agency delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

(a) The date from which each advance will bear interest;

(b) The interest rate as determined by §1780.13;

(c) A payment schedule providing for interest on outstanding principal at least annually; and

(d) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instruments and no longer than the 40-year statutory limit.

§§1780.91 - 1780.93 [Reserved]

§1780.94 Minimum bond specifications.

The provisions of this section are minimum specifications only and must be followed to the extent legally permissible.

(a) Type and denominations. Bond resolutions or ordinances will provide that the instruments be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than $1,000). Single bonds may provide for repayment of principal plus interest or amortized installments. Amortized installments are preferred by the Agency.

(b) Bond registration. Bonds will contain provisions permitting registration for both principal and interest. Bonds purchased by the Agency will be registered in the name of "United States of America" and will remain so registered at all times while the bonds are held or insured by the Government. The Agency address for registration purposes will be that of the Finance Office.

(c) Size and quality. Size of bonds and coupons should conform to standard practice. Paper must be of sufficient quality to prevent deterioration through ordinary handling over the life of the loan.

(d) Date of bond. Bonds will normally be dated as of the day of delivery. However, the borrower may use another date if approved by the Agency. Loan closing is the date of delivery of the bonds or the date of delivery of the first bond when utilizing serial bonds, regardless of the date of delivery of the funds. The date of delivery will be stated in the bond if different from the date of the bond. In all cases, interest will accrue from the date of delivery of the funds.

(e) Payment date. Loan payments will be scheduled to coincide with income availability and be in accordance with State law.

(1) If income is available monthly, monthly payments are recommended unless precluded by State law. If income is available quarterly or otherwise more frequently than annually, payments must be scheduled on such basis. However, if State law only permits principal plus interest (P&I) type bonds, annual or semiannual payments will be used.

(2) The payment schedule will be enumerated in the evidence of debt, or if that is not feasible, in a supplemental agreement.

(3) If feasible, the first payment will be scheduled one full month, or other period, as appropriate, from the date of loan closing or any deferment period. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided. When principal payments are deferred, interest-only payments will be scheduled at least annually.

(f) Extra payments. Extra payments are derived from the sale of basic chattel or real estate security, refund of unused loan funds, cash proceeds of property insurance and similar actions which reduce the value of basic security. At the option of the borrower, regular facility revenue may also be used as extra payments when regular payments are current. Unless otherwise established in the note or bond, extra payments will be applied as follows:

(1) For loans with amortized debt instruments, extra payments will be applied first to interest accrued to the date of receipt of the payment and second to principal.

(2) For loans with debt instruments with P&I installments, the extra payment will be applied to the final unpaid principal installment.

(3) For borrowers with more than one loan, the extra payment will be applied to the account secured by the lowest priority of lien on the property from which the extra payments was obtained. Any balance will be applied to other Agency loans secured by the property from which the extra payment was obtained.

(4) For assessment bonds, see paragraph (k) of this section.

(g) The place of payments on bonds purchased by the Agency will be determined by the Agency.

(h) Redemptions. Bonds will normally contain customary redemption provisions. However, no premium will be charged for early redemption on any bonds held by the Government.

(i) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless acceptable documentation is provided establishing that net revenues for the fiscal year following the year in which such bonds are to be issued will be at least 120 percent of the average annual debt serviced requirements on all bonds outstanding, including the newly-issued bonds. For purposes of this section, net revenues are, unless otherwise defined by State statute, gross revenues less essential operation and maintenance expenses. This limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then-outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan resolution.

(j) Precautions. The following types of provisions in debt instruments should be avoided:

(1) Provisions for the holder to manually post each payment to the instrument.

(2) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than the Agency, may post the date and amount of each advance or repayment on the instrument.

(3) Provisions that amend covenants contained in RUS Bulletins 1780-27 or 1780-28. ***[Revision 2, 06/04/99]***

(4) Defeasance provisions in loan or bond resolutions. When a bond issue is defeased, a new issue is sold which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes the Agency from requiring refinancing before the final maturity date, it represents a violation of the statutory refinancing requirement; therefore, it is disallowed. No loan documents shall include a provision of defeasance.

(k) Assessment bonds. When security includes special assessment to be collected over the life of the loan, the instrument should address the method of applying any payments made before they are due. It may be desirable for such payments to be distributed over remaining payments due, rather than to be applied in accordance with normal procedures governing extra payments, so that the account does not become delinquent.

(l) Multiple debt instruments. The following will be adhered to when preparing debt instruments:

(1) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments;

(2) Loans obligated in different fiscal years and those obligated with different terms in the same fiscal year will be evidenced by separate debt instruments;

(3) Loans obligated for the same loan type in the same fiscal year with the same term may be combined in the same debt instrument;

(4) Loans obligated in the same fiscal year with different interest rates that will be closed at the same interest rate may be combined in the same debt instrument.

§1780.95 Public bidding on bonds.

Bonds offered for public sale shall be offered in accordance with State law and in such a manner to encourage public bidding. The Agency will not submit a bid at the advertised sale unless required by State law, nor will reference to Agency's rates and terms be included. If no acceptable bid is received, the Agency will negotiate the purchase of the bonds.

§§1780.96 - 1780.100 [Reserved]

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
9/7/2008

Entered: August 18, 2008

CASE NO. 08-0758-S-CN

PUTNAM PUBLIC SERVICE DISTRICT, a public utility, Scott Depot, Putnam County, Application for a certificate of convenience and necessity for the construction, operation and maintenance of a sewer system upgrade in the Teays Valley area of the District's service territory and for approval of financing related thereto.

RECOMMENDED DECISION

On May 9, 2008, Putnam Public Service District (District) filed an application, duly verified, for a certificate of convenience and necessity for the construction, operation and maintenance of a sewer system upgrade in the Teays Valley area of its service territory which will result in the extension of sewer service to 27 customers and for approval of the project's financing. The estimated cost of construction, $4,520,000, is to be financed through a $4,520,000 loan from the USDA Rural Utilities Service for a term of 38 years at an interest rate of 4.25%. The District is not seeking a rate increase as a result of the proposed project.

By Commission Order dated May 9, 2008, the District was required to give notice of the filing of its application by publishing a copy of the Order once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Putnam County, making due return to the Commission of proper certification of publication immediately after publication.

On May 14, 2008, the District filed copies of Permit No. 17,891 issued by the West Virginia Office of Environmental Health Services for the proposed sewer upgrade project.

By Referral Order dated May 21, 2008, the proceeding was referred to the Division of Administrative Law Judges with a decision due date of on or before September 22, 2008, if there had been no public protest to the application within thirty (30) days after the required notice had been provided. If a public protest was received within thirty (30) days after the required notice had been provided, the Division of Administrative Law Judges was to render its decision on or before December 5, 2008.

On May 21, 2008, the District filed an Affidavit of Publication reflecting that, on May 15, 2008, the Notice of Filing was published in The Hurricane Breeze, a newspaper duly qualified by the Secretary of

State, published and of general circulation in Putnam County. The 30-day protest period expired on June 14, 2008.

On June 4, 2008, the District filed copies of Modification No. 2 to its WV/NPDES Permit No. WV0028045 issued by the Water and Waste Management Division of the West Virginia Department of Environmental Protection (DEP) for the proposed project.

On June 5, 2008, Staff Attorney Ronald E. Robertson, Jr., filed the Initial Joint Staff Memorandum to which was attached the June 5, 2008 Initial Internal Memorandum prepared by James Spurlock, Technical Analyst II, Engineering Division, and Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division. Staff reported on the proposed project and stated that the required information has been submitted. Staff stated that, once its review is completed, it would file a final recommendation within the Commission's required time frame.

By Procedural Order dated July 22, 2008, the Final Joint Staff Memorandum in this matter was required to be filed on or before August 7, 2008.

On August 4, 2008, Staff Attorney Robertson filed the Final Joint Staff Memorandum to which was attached the August 1, 2008 Final Internal Memorandum prepared by Ms. Buckley and Mr. Spurlock. Technical Staff reported that the proposed project consists of four (4) separate contracts at a total project cost of $4,520,000. Staff finds the project cost estimate to be reasonable. Operation and maintenance expenses associated with the project are estimated at $7,825.

The State Office of Environmental Health Services has issued Permit No. 17,891 for the project. The Division of Environmental Protection has issued a modified NPDES permit for the District. Staff's review of the plans and specifications did not reveal any conflicts with the Commission's rules and regulations.

Financial Staff reported that the $4,520,000 project is to be financed through a USDA Rural Utilities Service (RUS) loan in the amount of $4,520,000 for a term of 38 years at an interest rate of 4.25%. The RUS loan will require annual principal and interest payments of $239,963 with a ten percent (10%) debt reserve of $23,996. The District is also required to establish and maintain a renewal and replacement reserve equal to 2.5% of operating revenues. The District filed the RUS funding commitment letter with its application. The total amount of annual expenses attributable to the project, including debt service, reserves and O&M expenses, is approximately $272,620.

The District does not propose to increase rates as a result of the project. The customers added as a result of the project are estimated to generate additional annual operating revenues of approximately $19,121. These additional revenues, along with the District's per books surplus of approximately $644,000, will be sufficient to cover project-related expenses and provide for a pro forma surplus of approximately $437,312 and debt coverage of 136.93%.

In summation, Staff recommended that the District's application for a certificate of convenience and necessity for the construction,

operation and maintenance of a sewer system upgrade in the Teays Valley area of its service territory and the extension of sewer service to 27 customers, at a cost of $4,520,000, be approved. Staff also recommended that the project's financing of the project with a $4,520,000 RUS loan, with a term of 38 years at 4.25%, be approved. Staff further recommended the following: (a) if there are any changes in the plans or scope of the project, the District be required to seek Commission approval of such changes; (b) the District file a copy of the engineer's certified bid tabulations for all contracts to be awarded for the project as soon as they become available; and (c) the District file a copy of the certificate of substantial completion issued for each contract associated with the project as soon as it becomes available.

On August 8, 2008, the District filed a letter stating that it concurred with Staff's recommendation that its sewer certificate application be approved without a hearing.

As of the date of this Order, no protests have been filed.

## DISCUSSION

Based upon a review of the District's application, as well as Staff's recommendations, it is clear that the proposed project is financially feasible and that the financing of the proposed project should be approved since the project will not require a change in the District's existing rates.

The need for the proposed project is evident since it will provide customers with better sewer service and extend sewer service to 27 new customers.

## FINDINGS OF FACT

1. On May 9, 2008, the Putnam Public Service District filed an application, duly verified, for a certificate of convenience and necessity for the construction, operation and maintenance of a sewer system upgrade and approval of the financing for the project. (See, application filed May 9, 2008).

2. The project will provide sewer service to 27 new customers who currently do not have access to sewage service. The project also will provide increased collection systems capacity and will prevent the occasional overflows into the City of Hurricane's water reservoir which currently occur. Finally, the project will simplify system operation and maintenance, replace a deteriorated main and raise two pump stations above high water elevation. (See, application filed May 9, 2008; Final Joint Staff Memorandum and attachment filed August 4, 2008).

3. The estimated cost of construction, $4,520,000, is to be funded by a $4,520,000 loan from the USDA Rural Utilities Service for a term of 38 years at an interest rate of 4.25%. The District is not seeking a rate increase as a result of the proposed project. (See, application filed May 9, 2008).

4. The District gave notice of the filing of its certificate application in accordance with the Commission's requirements by publishing a Notice of Filing on May 15, 2008, in The Hurricane Breeze, a newspaper duly qualified by the Secretary of State, published and of general circulation in Putnam County, West Virginia. (See, Affidavit of Publication filed May 21, 2008).

5. No protests were received to the certificate application within the thirty-day response period, which expired on June 14, 2008, or as of the date of this Order. (See, case file generally).

6. Commission Staff recommended that the District's certificate application be granted and that the Commission approve the project financing. See, Final Joint Staff Memorandum and attachment filed August 4, 2008).

## CONCLUSIONS OF LAW

1. The public convenience and necessity require the issuance of a certificate of convenience and necessity to the Putnam Public Service District to construct improvements to its wastewater system and to extend sewer service to 27 new customers, as described in the plans and specifications filed with the application.

2. It is reasonable to approve the project financing, consisting of a loan in the amount of $4,520,000 from the USDA Rural Utilities Service for a term of 38 years at an interest rate of 4.25%.

## ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity filed herein on May 9, 2008, by Putnam Public Service District for the construction, operation and maintenance of a sewer system upgrade and for the extension of sewer service to 27 new customers, all as more particularly described in the engineering plans and specifications filed with the application, be, and it hereby is, granted, without need for a formal hearing.

IT IS FURTHER ORDERED that the financing of the project certificated herein, consisting of a loan in the amount of $4,520,000 from the USDA Rural Utilities Service at 4.25% interest for a term of 38 years, be, and hereby is, approved.

IT IS FURTHER ORDERED that Putnam Public Service District file a copy of the engineer's certified tabulation of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that Putnam Public Service District submit a certificate of substantial completion for the project from its engineer as soon as it becomes available.

IT IS FURTHER ORDERED that, if there are any changes in the plans, financing or scope of the project or if a change in project cost affects

rates, Putnam Public Service District obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that, if there are any changes in project cost that do not affect rates, Putnam Public Service District file herein an affidavit executed by its certified public accountant verifying that the District's rates and charges are not affected.

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

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

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

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

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

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

Deborah Yost VanDervort

Deborah Yost VanDervort
Administrative Law Judge

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# PUBLIC SERVICE COMMISSION
# OF WEST VIRGINIA
# CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 23rd day of April, 2008.

CASE NO. 06-0743-PSD-CN (Reopened)

PUTNAM PUBLIC SERVICE DISTRICT

Application for a certificate of convenience and necessity for the construction, operation and maintenance of improvements and renovations to its sewer system in the Red House and Hometown portions of its service area in Putnam County, West Virginia, and for approval of financing related thereto.

## COMMISSION ORDER

With this Order, the Commission grants the Putnam Public Service District's (District) Petition to Reopen and approves the District's revision to its tariff to incorporate revisions to the District's sewer rates the Commission has previously approved.

## BACKGROUND

By Recommended Decision entered January 26, 2007, final as of February 15, 2007, the Commission granted the District a certificate of convenience and necessity to construct improvements and renovations to the sewer system in the Red House and Hometown portions of its service area (Red House Project) and approved a new tariff that included an increased rate of $8.87 per 1,000 gallons to become effective upon completion of the Red House Project. The approved tariff also incorporated a Rule 30B increase the Commission approved in Case No. 06-1090-PSD-30B.

At the time the District filed its application for a certificate of convenience and necessity, the District had pending an increase in its sewer rates approved by the Commission in Case No. 05-1146-PSD-CN (Midway Project). The approved rate increase in the Midway Project was $0.54 per 1,000 gallons, to become effective upon completion of the project.

The $8.87 per 1,000 gallon rate approved by the Commission in this case does not include the $0.54 per 1,000 gallon increase approved for the Midway Project because at the time of the January 26, 2007 Recommended Decision (that became final February 15, 2007), the increase had not gone into effect.

Upon completion of the Midway Project, the District filed a Petition to Reopen that case for the purpose of incorporating two tariff revisions that had been subsequently approved. Those revisions included the 30B increase approved in Case No. 06-1090-PSD-30B and the removal of an excess pension cost surcharge approved in Case No. 07-0070-PSD-T. The Commission entered an Order on August 23, 2007, in Case No. 05-1146-PSD-CN, approving the District's Petition to Reopen for the purpose of implementing the revised rates and charges associated with the completion of the Midway Project as well as the approved 30B increase and removal of the excess pension cost surcharge. The approved revised tariff is set forth in the District's Sewer Tariff No. 4 on file with the Commission.

The District now seeks approval of a revision to the tariff approved in this case to incorporate the tariff revisions approved in Case No. 05-1146-PSD-CN – that is, the $0.54 per 1,000 gallon increase approved by the Commission's December 4, 2005 Order and the subsequent tariff revisions approved by the Commission's August 23, 2007 Order.

On March 4, 2008, Staff filed its Initial and Final Joint Staff Memorandum, recommending that the District's petition to reopen be approved for the purposes of revising the approved tariff to incorporate those tariff revisions approved in Case No. 05-1146-PSD-CN, the $0.54 per 1,000 gallons increase approved by the December 4, 2005 Order, and the subsequent tariff revisions approved by the August 23, 2007 Order. Staff provided a recommended tariff. Staff's recommendation for approval was conditioned on the District's filing of a certificate of substantial completion for the Red House Project and accomplishing notice to the affected public of the availability of sewer service. The District filed its certificate of substantial completion on March 6, 2008, and the Red House Project is now complete. The District also accomplished the required notice to the affected public by publication and by hand-delivered letter.

## DISCUSSION

The Red House Project is now complete. The District has provided notice to the affected public of the availability of sewer service. Upon review of the filings in this case and the previously-approved tariff revisions, the Commission concludes that the revised tariff attached hereto as Attachment A should be approved for the District's bills rendered on and after the date of this Order.

## FINDINGS OF FACT

1. The District filed a petition to reopen this case for permission to implement previously-approved rates upon completion of its certificate project and to incorporate in the approved tariff a subsequently-approved rate revision.

2. Staff recommends that this case be reopened and the District's request be approved.

## CONCLUSION OF LAW

Upon review of the filings in this case and the previously-approved tariff revisions, the revised tariff attached hereto as Attachment A should be approved for the District's bills rendered on and after the date of this Order.

## ORDER

IT IS THEREFORE ORDERED that this proceeding is hereby reopened for the purpose of implementing revised rates and charges resulting from the completion of the Red House Project and the tariff revision approved in Case No. 05-1146-PSD-CN.

IT IS FURTHER ORDERED that the tariff attached hereto as Attachment A is hereby approved for use by the District for bills rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the District shall file an original and six copies of a revised tariff consistent with Attachment A within 30 days of the date of this Order.

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

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

A True Copy, Teste:

Sandra Squire
Executive Secretary

RWC/klm
060743ce.wpd

PUTNAM PUBLIC SERVICE DISTRICT
APPROVED TARIFF
CASE NO. 06-0743-PSD-CN (Reopened)

APPLICABILITY

Applicable within the entire territory served including the area formerly served by Putnam Utilities Corporation.

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale sewer service

(I) RATES (customers with metered water supply)

Each 1,000 gallons used per month $9.41 per 1,000 gallons

(I) MINIMUM CHARGE

No bill will be rendered for less than $15.82 per month.

The above minimum charge is subject to an additional $1.50 per 1,000 gallons of water used per month.

DELAYED PAYMENT PENALTY

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

SURCHARGE B

Restricted Maintenance Surcharge - $0.05 per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for use to correct any deficiencies found during the annual plant inspection. This surcharge will remain in effect until the combined balance shall be $75,000. It is estimated that the District's share is $47,491.30. This surcharge is subject to renewal at the rate of $0.05 per 1,000 gallons should the escrowed amount be reduced below $75,000. This surcharge is subject to review and use upon Public Service Commission approval.

ALTERNATIVE MEASUREMENT OF SEWAGE

Customers having water use which results in a substantial portion of the water purchased not being discharged into the sanitary sewer system shall be entitled, at the option and sole cost of the customer, to request Putnam Public Service District to purchase, install and maintain special meters to measure the volume of waste water discharged into the sanitary sewer system. The customer shall advance to the District, upon demand, the District's estimated cost of purchasing and installing the meter and,

upon installation of such waste discharge meter, the rates of the customer shall be based upon the volume of waste discharged into the system rather than upon the volume of water purchased by the customer. Normal expenses incurred by the District for the maintenance of the meter shall be billed to the customer; the customer shall advance to the District, on demand, the District's estimated cost of any unusual maintenance.

TAP FEE

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

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

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

RECONNECTION FEE $25.00

To apply to all users who receive sewer service from the District and **water service from the City of Hurricane and West Virginia-American Water Company** in the event of nonpayment of sewer service fees where water service is terminated and reconnected following each reconnection of water service; or in the event the delinquent sewer bill is collected by the water company, an administrative fee of $25.00 will be charged.

RECONNECTION FEE $15.00

To apply to all users who receive sewer service from the District and **water service from Culloden Public Service District** in the event of nonpayment of sewer service fees where water service is terminated and reconnected following each reconnection of water service.

LEAK ADJUSTMENT RATE

$3.03 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of meter. This rate shall be applied to all such consumption above the customer's historical average usage.

## SCHEDULE 2

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for sanitary sewer service to unmetered water users and users who obtain water from wells.

(I) FLAT RATE

Equivalent of 3,000 gallons of water usage, $28.23 per month

SURCHARGE B

Restricted Maintenance Surcharge - $0.05 per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for use to correct any deficiencies found during the annual plant inspection. This surcharge will remain in effect until the combined balance shall be $75,000. It is estimated that the District's share is $47,491.30. This surcharge is subject to renewal at the rate of $0.05 per 1,000 gallons should the escrowed amount be reduced below $75,000. This surcharge is subject to review and use upon Public Service Commission approval.

## SCHEDULE NO. 3

### Surcharge Formula to Be Applied to a Customer 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 wastewater 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 cost of treatment (including sludge 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 Putnam 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 therefore, 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 Putnam 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 Putnam 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. 4

APPLICABLE INSIDE AND OUTSIDE THE CORPORATE LIMITS OF THE PUTNAM PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Putnam 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 the 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 Putnam Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

Surcharge Formula to be Applied in Cases Where Surface Drainage is Connected to the Utility's Sewer System

(I) APPLICABILITY

Wherever the utility has discovered that a customer's roof drain, downspout, storm sewer or other similar facilities conducting surface water have been connected to the District's sewer system, and such customer has failed to take appropriate action within thirty (30) days of receipt of a demand by the utility in accordance with the Rules of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

S = the surcharge in dollars

A = the area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet

R = the measured monthly rainfall in inches

.0006233 = the conversion factor to change inches of rain x square feet of surface to thousand gallon of water

C = $9.41 - The District's approved rate per thousand gallons of metered water usage

The utility shall not impose the surcharge unless, and until, the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing, or onsite inspection that rain or other surface water is being introduced into the sanitary sewer system at the customer's

location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the rules and regulations of the Public Service Commission of West Virginia.

(I) Indicates Increase

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL

2/15/2007

Entered: January 26, 2007

CASE NO. 06-0743-PSD-CN

PUTNAM PUBLIC SERVICE DISTRICT,
a public utility, Scott Depot, Putnam County.
Application for a certificate of convenience and necessity for the construction, operation and maintenance of improvements and renovations to its sewer system in the Red House and Hometown portions of its service area in Putnam County, West Virginia, and for approval of financing related thereto.

RECOMMENDED DECISION

On June 5, 2006, the South Putnam Public Service District (District) filed an application for a certificate of convenience and necessity for the construction, operation and maintenance of improvements and renovations to its sewer system in the Red House and Hometown portions of its service area in Putnam County, West Virginia, and for approval of financing related thereto. The District's proposed project would include improvements and renovations to its sewer system in the Red House, Shawnee and Hometown portions of its service area. However, due to reprogramming of grant funding by the US Army Corp of Engineers, the original anticipated project is being divided into two (2) phases. This application is considered Phase I and consists of a sewer extension which will serve approximately eighty (80) additional customers between Red House and Hometown. An application for Phase II of the divided project will be filed at a later date.[1] The District proposed to finance the $2,630,000 project through a $300,000 grant from the U.S. Department of the Army Corps of Engineers and a $2,330,000 loan from the West Virginia Infrastructure and Jobs Development Council (IJDC) for a term of 20 years at an interest rate of 3%. The District has filed, with its application, funding commitment letters from both sources. The District requested approval of increased sewer rates to go into effect upon completion of the sewer improvement project. The proposed rates will also consolidate the rates of the North Putnam Public Service District with the South Putnam Public Service District as a result of the merger of the two (2)

[1]The District is also presently pursuing construction of a large sanitary sewer extension project referred to as the Kanawha Valley Sewer Project which will add approximately 550 new customers to the District's sewer system when it is completed. See, Case No. 05-1146-PSD-CN (Final December 4, 2005).

Districts.[2] According to the District's Rule 42 Exhibit, the District will have a cash flow surplus of $410,233 and a debt service coverage of 135.79%.

By Commission Order dated June 5, 2006, the District was directed to provide notice of the filing of the certificate application by publishing a copy of said Order once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Putnam County, West Virginia, making due return to the Commission of proper certification of publication immediately after publication. The Notice specifically noted that the proposed increases were based on averages of all customers in the indicated class and that individual customers might receive increases that are greater or less than average. The Notice further indicated that the requested rates and charges were only a proposal and were subject to change by the Public Service Commission in its review of this filing. The Notice directed that anyone desiring to make objection to the certificate application or to intervene in said proceeding must do so, in writing, within thirty (30) days after publication of said Notice. It was further provided that failure to timely protest or intervene could affect one's right to protest, including any associated rate increase, or to participate in future proceedings. The Notice further provided that, if no protests were received within the thirty-day period, the Commission could waive formal hearing and grant the certificate application based upon the evidence submitted in the application and the Commission's review thereof.

On June 26, 2006, the District filed an affidavit of publication reflecting publication of the Commission's June 5, 2006 Order on June 8, 2006, in The Hurricane Breeze, a newspaper, duly qualified by the Secretary of State, published and of general circulation in Putnam County, West Virginia.

On July 6, 2006, Staff Attorney Ronald E. Robertson, Jr., filed an Initial Joint Staff Memorandum to which was attached an Initial Internal Memorandum, dated June 21, 2006, prepared by Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division, and Jonathan Fowler, P.E., Engineer III, Engineering Division. Commission Staff reported that additional information from the District was required before it could make a final recommendation in this matter. In the interim, referral of this matter to the Division of Administrative Law Judges for further disposition was recommended.

Also on July 6, 2006, Commission Staff filed its First Set of Interrogatories, Data Requests or Requests for Information directed to the District.

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[2]By Recommended Decision dated September 5, 2003, in Case No. 03-1042-PSWD-PC (Final September 25, 2003) the transfer of North Putnam Public Service District's public utility system to South Putnam Public Service District was approved. By Commission Order dated June 7, 2006, in Case No. 03-1042-PSWD-PC, the Commission approved a change in the name of South Putnam Public Service District to Putnam Public Service District.

On July 10, 2006, the District filed an affidavit executed by Michael W. McNulty, General Manager, certifying that, pursuant to Rule 10.3.d. of the Commission's Rules of Practice and Procedure (Procedural Rules), notice of the proposed rate increase requested in this proceeding was given to its sewer customers by including the following statement on its postcard billing cycle beginning June 9, 2006, and ending on July 6, 2006, to-wit:

> This utility is seeking a sewer rate increase. Details available in newspaper publications or at the utility office by calling 757-6551.

On July 10, 2006, the District filed a Motion to Revise Name of Applicant.

On July 11, 2006, the District filed its responses to Commission Staff's First Set of Interrogatories, Data Requests or Requests for Information.

By Commission Order dated July 19, 2006, the Commission referred this matter to the Division of Administrative Law Judges for further disposition, with a decision due date of on or before October 18, 2006, if no public protests to the certificate application were filed. If a public protest was received, the Administrative Law Judge Division was to render its decision on or before January 2, 2007.

On August 31, 2006, Mr. Robertson filed a Final Joint Staff Memorandum to which was attached a Final Internal Memorandum, dated August 31, 2006, prepared by Ms. Buckley and Mr. Fowler. Commission Staff recommended, in part, that the District be granted a certificate of convenience and necessity to construct the sanitary sewer extension project, as more fully described in the application, in the amount of $2,630,000; that project funding, as more fully described in the application, be approved; and that the District be authorized to implement the Staff-recommended rates and charges, as more fully set forth in Attachment 2 to its Memorandum, upon substantial completion of the project.

On September 8, 2006, the District filed a letter stating that it was of the opinion that the Staff-recommended rates were inadequate to cover its reasonably expected construction and plant addition needs. The District stated that it would be filing revisions to its Rule 42 Exhibit to address the surplus issue.

On October 11, 2006, the District filed certain revised documents to its Rule 42 Exhibit.

On October 11, 2006, the District filed a Motion to Toll Statutory Period and Extend Administrative Law Judge Decision Due Date. The District requested that the 180-day statutory period for this certificate proceeding be tolled for a period of ninety (90) days and that the October 18, 2006 Administrative Law Judge decision due date be extended until January 2, 2007.

By Commission Order dated October 16, 2006, the style of this proceeding was revised to reflect the name of the Applicant as the Putnam

Public Service District. Additionally, the statutory deadline was tolled for a period of ninety (90) days, i.e., from December 1, 2006, to March 1, 2007, and the Administrative Law Judge decision due date of October 18, 2006, was extended until January 2, 2007.

On November 21, 2006, the District filed an affidavit of publication reflecting publication of a Revised Notice of Filing in The Hurricane Breeze on November 9, 2006. The District also filed an affidavit executed by Mr. McNulty, the District's General Manager, certifying that notice of the sewer rate increase was given to the District's sewer customers on postcard billings during the October 26, 2006, to November 22, 2006 billing cycle.

On November 27, 2006, the District filed a letter regarding the rate implications resulting from its recent filings with the Commission.

On December 4, 2006, Mr. James A. Harris filed a letter of protest.

By Procedural Order dated December 14, 2006, Commission Staff was directed to file its final recommendation on or before December 21, 2006. Further, this case was scheduled for hearing on December 27, 2006, at 10:00 a.m. in the Council Chambers, Hurricane City Building, 3255 Teays Valley Road, Hurricane, West Virginia. The District was ordered to publish notice of the hearing on or before December 21, 2006, in newspapers published in Putnam and Kanawha Counties, and an expedited transcript of the hearing was ordered to be filed no later than 5:00 p.m. on December 28, 2006.

On December 19, 2006, Fern B. Hunter, by her son James Hunter, filed correspondence with the Commission stating that Ms. Hunter had significant interest in the property and requesting intervenor status for the purpose of speaking at the December 27, 2006 hearing.

On December 21, 2006, Mr. Robertson filed a Further Final Joint Staff Memorandum to which was attached a Further Final Internal Memorandum, dated December 21, 2006, prepared by Ms. Buckley and Mr. Fowler. Commission Staff recommended an additional $0.15 increase in the District's rates to $7.37 per 1,000 gallons, plus the $1.50 Tariff Rule 30-B increase, as approved by Commission Order entered November 15, 2006, in Case No. 06-1090-PSD-30B, for a resulting rate of $8.87 per 1,000 gallons. Attached to the Staff's final recommendation was a proposed tariff.

On December 22, 2006, the District filed a Motion To Toll Statutory Period An Additional Thirty (30) Days and To Extend Administrative Law Judge Decision Due Date.

By Commission Order dated December 22, 2006, the Commission tolled the statutory deadline from March 1, 2006, to March 31, 2006, and extended the Administrative Law Judge decision due date from January 2, 2007, to February 1, 2007.

On December 26, 2006, the District filed with the Commission affidavits evidencing publication of the Notice of Hearing in The Charleston Gazette on December 19, 2006, and in The Hurricane Breeze on December 21, 2006.

On December 27, 2006, the hearing in this matter was convened as scheduled. The District appeared by counsel, Robert R. Rodecker, Esquire; Commission Staff appeared by counsel, Staff Attorney Ronald E. Robertson, Jr., Esquire; and James Hunter appeared on behalf of his mother, Fern Hunter.

Mr. Rodecker submitted copies of the affidavits filed with the Commission on December 26, 2006, evidencing publication of the Notice of Hearing in The Charleston Gazette and The Hurricane Breeze. The affidavits were marked as PSD Exhibits Nos. 1 and 2 and made a part of the record. (Tr. p. 8).

Mr. Rodecker then advised the Administrative Law Judge that the District was in agreement with the Commission Staff's final recommendation that the certificate application, as well as the revised rates published by the District, be approved, and stipulated to the Staff case. The District requested that any evidentiary issues be presented by the Staff. (Tr. p. 8).

The Administrative Law Judge then addressed the issue of the motion to intervene filed by James Hunter. Upon questioning, Mr. Hunter indicated his desire to wait until after testimony was presented by Commission Staff prior to making a statement. (Tr. p. 9). To ensure fairness to Mr. Hunter, and to permit him to question the witnesses if he so desired, Mr. Hunter's motion to intervene was granted. (Tr. p. 10). Counsel for the District objected to said intervention on the grounds that no record had been made that Mr. Hunter is, in fact, qualified as a current or potential customer of the District or that he has any standing in the case. (Tr. p. 10). Mr. Rodecker pointed out that Mr. Hunter's correspondence filed with the Commission requesting intervention addressed two issues, one related to a right-of-way pertaining to his mother's property and the other relating to a noise issue unrelated to this certificate proceeding. (Tr. p. 10). The District's objection to the intervention was noted by the Administrative Law Judge. (Tr. p. 11).

On December 28, 2006, the transcript of the public hearing held in this matter on December 27, 2006, was filed.

On December 29, 2006, Staff filed its Second Further Final Joint Staff Memorandum setting forth the revisions and corrections to its Further Final Joint Staff Memorandum (Staff Exhibit No. 1) as discussed by Ms. Buckley during her testimony.

On January 10, 2007, Staff filed its Third Further Final Joint Staff Memorandum setting forth a further revised and corrected Staff-recommended tariff, replacing the December 29, 2006 recommended tariff.

On January 16, 2007, Council for the District filed a proposed Recommended Decision.

## EVIDENCE

The Commission Staff presented as its first witness Jonathan Fowler, Staff Engineer. Mr. Fowler prepared the engineering portion of the Further Final Joint Staff Memorandum, which was marked as Staff Exhibit No. 1 for identification purposes. Mr. Fowler testified as to his

engineering review of the proposed sewer project to determine if it is appropriate in scope and design, that the project is necessary for service to the public, and that the costs are reasonable. Mr. Fowler testified that the proposed project is actually a relatively small extension project to serve approximately eight (80) customers in the Hometown/Red House area of northern Putnam County. (Tr. p. 12). Following his review, Mr. Fowler found that the project complies with all relevant Commission requirements and the Commission's Rules for the Government of Sewer Utilities (Sewer Rules). (Tr. p. 13).

Staff Attorney Robertson then questioned Mr. Fowler about the right-of-way concern expressed by Mr. Hunter. Mr. Fowler testified that, based upon his knowledge of the project plans and his conversation with Mr. Hunter, Mr. Hunter is concerned about the location of a proposed sewer line crossing his mother's property for this project and possibly additional rights-of-way that may be required across the property in a future project. Mr. Fowler testified that the right-of-way required for the sewer line in this instant project will provide service not only to Fern Hunter's house, but will also provide service to her neighbor, a convenience store and four to five other additional homes adjacent to Route 34. (Tr. p. 14). Mr. Fowler testified that it is appropriate for the District to obtain the particular right-of-way. If the District would elect to terminate the line to avoid Fern Hunter's property, the potential to provide service to the additional four or five customers would be eliminated. Mr. Fowler testified that the engineering review of the drawings indicated the District was reasonable in its approach to the right-of-way in question. When asked if, from an engineering perspective, he recommended approval of the project, Mr. Fowler testified that he did. His only concern was the cost per customer was slightly on the high side, but he noted that this is a core project which involves the construction of main pumping stations and a main collection system, which raise the cost of a project. (Tr. p. 16). In the future, the cost per customer should decrease. Mr. Fowler noted that the pumping stations are expandable, allowing their use in future projects. (Tr. p. 17).

Upon cross-examination by Mr. Rodecker, Mr. Fowler testified that Staff found the costs associated with the project to be reasonable, with the one caveat that, since the project had not yet been bid, the District should to plan for overruns. (Tr. p. 18). As to public service districts and other utilities having to make decisions relating to rights-of-way in order to bring projects in within the project financing available, Mr. Fowler testified that such decisions are appropriately local decisions and are not subject to review by the Public Service Commission. (Tr. pp. 18-19). Mr. Fowler testified that the Commission is not going to micromanage any project to the extent of arranging rights-of-ways. (Tr. p. 19).

At the close of Mr. Fowler's testimony, Staff Attorney Robertson moved to have the August 31, 2006 Final Joint Staff Memorandum identified as Staff Exhibit No. 2, and said document was so marked. (Tr. p. 20).

Karen Buckley was called as the second witness on behalf of the Commission Staff. Ms. Buckley testified that, as a Utility Analyst II with the Commission, she looked at the financing and cost of the project to determine if the District could afford the project. Ms. Buckley testified that her review of the project determined that the District had

all the required funding committee letters for this particular project. (Tr. p. 21).

Ms. Buckley testified as to the change in the Staff's initial recommended rates contained in its Final Joint Staff Memorandum, identified as Staff Exhibit No. 2, and those set forth in its Further Final Joint Staff Memorandum, identified as Staff Exhibit No. 1. The increase in Staff's recommended rates set forth in Staff Exhibit No. 1 was a result of the omission from the District's initial Rule 42 filed with the application of an R&R account which is required by the West Virginia Infrastructure and Jobs Development Council, the funding agency for the project. After Staff included the R&R account in the proposed expenses and debt service, the District's surplus, as previously approved by the Commission in another proceeding, dropped. As a result, the Staff revised its recommended rates to include a fifteen cent ($.15) increase to cover the deficit in the District's surplus resulting from the addition of the R&R account to expenses and debt service. (Tr. p. 22).

Ms. Buckley further testified as to corrections that needed to be made to the Staff-recommended tariff attached to the Further Final Joint Staff Memorandum (Staff Exhibit No. 1), including a change in the rates to reflect a $1.50 increase recently approved by the Commission for the District in Case No. 06-1090-PSD-30B. (Tr. p. 24). Ms. Buckley testified that the Staff could file updated recommended rates for the project in a fairly quick fashion. (Tr., p. 25). Ms. Buckley further testified that, from a financial perspective, Staff recommends that the rates be approved, together with the project itself and the proposed funding. (Tr. p. 28).

James Hunter, after being advised by the Administrative Law Judge that the right-of-way and noise issues are separate and apart from this instant proceeding, chose not to present any evidence or question any of the witnesses presented. (Tr. pp. 30-31).

## DISCUSSION

The soil within the project area is generally unsuitable for individual septic systems due to low permeability, a high perched water table or, in some cases, the presence of near-surface rock. Failing septic systems are common throughout the project area and this results in the discharge of improperly treated sewage or septic tank effluent into road ditch lines and creeks throughout the project area. The failing septic systems also result in odor and health problems for those residing in the project area. The project at issue herein will alleviate the inadequacies of the existing sewer treatment facilities serving the project area and will reduce, if not totally eliminate, the discharge of raw or improperly treated sewage into area creeks and streams and, thus, provide the area's residents with a healthier environment in which to reside. Accordingly, a certificate of convenience and necessity should be issued for the project, which is Phase I of the District's intended improvements and renovations to its sewer system in the Red House, Shawnee and Hometown portions of its service area.

The $2,630,000 project cost will be financed through a $300,000 grant from the U.S. Department of the Army Corps of Engineers and a

$2,330,000 loan from the West Virginia Infrastructure and Jobs Development Council (IJDC) for a term of 20 years at an interest rate of 3%, which is reasonable and will be approved.

The District has requested an increase in its sewer rates to support the project and agrees with the Staff-recommended increased rates set forth in its Further Final Joint Staff Memorandum, as corrected by Staff's post-hearing filing of December 29, 2006, and, accordingly, will be approved.

## FINDINGS OF FACT

1. On June 5, 2006, The Putnam Public Service District, formerly the South Putnam Public Service District (District), filed an application for a certificate of convenience and necessity for the construction, operation and maintenance of improvements and renovations to its sewer system in the Red House and Hometown portions of its service area in Putnam County, West Virginia, and for approval of financing related thereto. The District's proposed project would include improvements and renovations to its sewer system in the Red House, Shawnee and Hometown portions of its service area and consists of a sewer extension which will serve approximately eighty (80) additional customers between Red House and Hometown. (See, Application filed June 5, 2006).

2. The District proposed to finance the $2,630,000 project through a $300,000 grant from the U.S. Department of the Army Corps of Engineers and a $2,330,000 loan from the West Virginia Infrastructure and Jobs Development Council (IJDC) for a term of 20 years at an interest rate of 3%. The District has filed, with its application, funding commitment letters from both sources. (See, Application filed June 5, 2006).

3. The project complies will all relevant Commission requirements and meets the Commission's rules for the governing of sewer utilities. (Tr. p. 13).

4. The District's proposed project will correct the inadequate and oftentimes failing septic sewer systems now serving the residents within the project area. (See, Staff Exhibit No. 2).

5. The Staff-recommended increased rates set forth in its Final Joint Staff Memorandum, as corrected by its Third Further Final Joint Staff Memorandum filed on January 10, 2007, are sufficient to permit the District to afford the project and will produce a cash flow surplus of $414,777 and a debt service coverage of 143.85%. (See, Staff Exhibit No. 1; Letter and attached cash flow analysis filed October 11, 2006; Tr. p. 21; and Staff filing of January 10, 2007).

6. The right-of-way and noise issues raised by James Hunter in his correspondence filed with the Commission on December 20, 2006, on behalf of his mother, Fern Hunter, are separate and apart from this instant proceeding. (See, Tr. pp. 30-31).

## CONCLUSIONS OF LAW

1. The public convenience and necessity require the project.

2. The District's proposed financing of the project is reasonable and should be approved.

3. The District's application for a certificate of convenience and necessity should be granted, contingent upon receipt of all necessary federal, state and local permits.

4. The Staff-recommended rates as revised and corrected in its Third Further Final Joint Staff Memorandum filed on January 10, 2007, are sufficient, but not more than sufficient, to cover reasonable and necessary expenses, capital additions and debt service, including the additional expenses and debt service generated by this project, and should be approved to become effective upon completion of the project.

## ORDER

IT IS, THEREFORE, ORDERED that the application filed on June 5, 2006, by Putnam Public Service District (formerly South Putnam Public Service District), for a certificate of convenience and necessity for the construction, operation and maintenance of improvements and renovations to its sewer system in the Red House and Hometown portions of its service area in Putnam County, be, and hereby is, granted and the project is approved.

IT IS FURTHER ORDERED that, prior to commencing construction, Putnam Public Service District file all outstanding necessary permits or approvals.

IT IS FURTHER ORDERED that the funding for the project, consisting of a $300,000 grant from the U.S. Department of the Army Corps of Engineers and a $2,330,000 loan from the West Virginia Infrastructure and Jobs Development Council for a term of 20 years at an interest rate of 3%, be, and hereby is, approved.

IT IS FURTHER ORDERED that the Staff-recommended increased sewer rates, as shown on Appendix A attached hereto, be, and hereby are approved, to become effective upon completion of the project.

IT IS FURTHER ORDERED that Putnam Public Service District file with the Commission's Tariff Office an original and five (5) copies of the approved tariff within thirty (30) days of the date that the certificated project becomes operational.

IT IS FURTHER ORDERED that Putnam Public Service District file a copy of the engineer's certified tabulation of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that, if there are any changes in the scope, plans or financing of the project or a change in project cost that affects the rates approved for the project, the District obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that, if a change in project cost does not affect rates, the District is not required to obtain Commission approval of such change, but the District shall file an affidavit with the Commission duly executed by its accountant, verifying that the approved rates are not affected.

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

IT IS FURTHER ORDERED that Putnam Public Service District file with the Commission a certificate of substantial completion of the project when the project is substantially completed.

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's dockets of open cases.

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

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

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

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

John P. Carter
Administrative Law Judge

JPC:lc
060743aa.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

PUTNAM PUBLIC SERVICE DISTRICT

CASE NO. 06-0743-PSD-CN

**SCHEDULE NO. 1**

APPLICABILITY
Applicable within the entire territory served including the area formerly served by North Putnam Public Service District

AVAILABILITY
Available for general domestic, commercial and industrial sewer service

RATES (customers with metered water supply)
$8.87 per 1,000 gallons of water usage

MINIMUM BILL
No bill will be rendered for less than $14.74 per month, which is the equivalent of 2,000 gallons of usage.

The above minimum charge is subject to an additional $1.50 per 1,000 gallons of water used per month.

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

SURCHARGE A
Excess Pension Cost Surcharge-$0.091 per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for purchase of retirement time from the state retirement system, PERS, for eligible employees. This surcharge will be reviewed and eliminated when determined by the Public Service Commission.

SURCHARGE B
Restricted Maintenance Surcharge - $0.05 per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for use to correct any deficiencies found during the annual plant inspection. This surcharge will remain in effect until the combined balance shall be $75,000.00. It is estimated that the District's share is $47,491.30. This surcharge is subject to renewal at the rate of $0.05 per 1,000 gallons should the escrowed amount be reduced below $75,000.00. This surcharge is subject to review and use upon Public Service Commission approval.

Public Service Commission
of West Virginia
Charleston

ALTERNATIVE MEASUREMENT OF SEWAGE

Customers having water use which results in a substantial portion of the water purchased not being discharged into the sanitary sewer system shall be entitled, at the option and sole cost of the customer, to request Putnam Public Service District to purchase, install and maintain special meters to measure the volume of waste water discharged into the sanitary sewer system. The customer shall advance to the District, upon demand, the District estimated cost of purchasing and installing the meter and, upon installation of such waste discharge meter, the rates of the customer shall be based upon the volume of waste discharged into the system rather than upon the volume of water purchased by the customer. Normal expenses incurred by the District for the maintenance of the meter shall be billed to the customer; the customer shall advance to the District, on demand, the District's estimated cost of any unusual maintenance.

## SCHEDULE NO. 1A

APPLICABILITY

Applicable within the territory previously served by Putnam Utilities Corporation

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale sewer service

RATES (customers with metered water supply)

| | | |
|---|---|---|
| First | 3,000 gallons of water used per month | $8.27 per 1,000 gallons |
| Next | 3,000 gallons of water used per month | $7.85 per 1,000 gallons |
| Next | 4,000 gallons of water used per month | $7.42 per 1,000 gallons |
| All Over | 10,000 gallons of water used per month | $7.05 per 1,000 gallons |

MINIMUM BILL

No bill will be rendered for less than $20.31 per month, which is the equivalent of 3,000 gallons of usage.

The above minimum charge is subject to an additional $1.50 per 1,000 gallons used per month.

SURCHARGE A

Excess Pension Cost Surcharge-$0.091per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for purchase of retirement time from the state retirement system, PERS, for eligible employees. This surcharge will be reviewed and eliminated when determined by the Public Service Commission.

SURCHARGE B

Restricted Maintenance Surcharge - $0.05 per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for use to correct any deficiencies found during the annual plant inspection. This surcharge will remain in effect until the combined balance shall be $75,000.00. It is estimated that the District's share is $47,491.30. This surcharge is subject to renewal at the rate of $0.05 per 1,000 gallons should the escrowed amount be reduced below $75,000.00. This surcharge is subject to review and use upon Public Service Commission approval.

DELAYED PAYMENT PENALTY

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

## SCHEDULE NO. 2

APPLICABILITY
Applicable within the entire territory served

AVAILABILITY
Available for sanitary sewer service to unmetered water users and users who obtain water from wells.

FLAT RATE (customers with metered water supply)
Equivalent of 3,000 gallons of water usage, $26.61 per month.

SURCHARGE A
Excess Pension Cost Surcharge-$0.091 per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for purchase of retirement time from the state retirement system, PERS, for eligible employees. This surcharge will be reviewed and eliminated when determined by the Public Service Commission.

SURCHARGE B
Restricted Maintenance Surcharge - $0.05 per 1,000 gallons sold from the effective date of this tariff will be charged in order to escrow money for use to correct any deficiencies found during the annual plant inspection. This surcharge will remain in effect until the combined balance shall be $75,000.00. It is estimated that the District's share is $47,491.30. This surcharge is subject to renewal at the rate of $0.05 per 1,000 gallons should the escrowed amount be reduced below $75,000.00. This surcharge is subject to review and use upon Public Service Commission approval.

## SCHEDULE NO. 3

APPLICABILITY

Applicable within the entire territory served

TAP FEE

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

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

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

RECONNECT FEE - $25.00

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with the City of Hurricane and West Virginia-American Water Company is reconnected, a reconnection fee of $25.00 shall be charged.

RECONNECT FEE - $15.00

To apply to all users who receive sewer service from the District and **water service from Culloden Public Service District** in the event of nonpayment of sewer service fees where water service is terminated and reconnected following each reconnection of water service.

LEAK ADJUSTMENT RATE

$3.03 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of meter. This rate shall be applied to all such consumption above the customer's historical average usage.

## SCHEDULE NO. 4

Surcharge Formula To Be Applied to a Customer Producing Unusual Waste

The charge for the treatment of industrial 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 wastewater 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 cost of treatment (including sludge 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 Putnam 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 therefore, 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 Putnam 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 Putnam 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 THE CORPORATE LIMITS OF THE PUTNAM PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Putnam 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 the 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 Putnam Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

Surcharge Formula to Be Applied in Cases Where Surface Drainage Is Connected to the Utility's Sewer System

APPLICABILITY

Wherever the utility has discovered that a customer's roof drain, downspout, storm sewer or other similar facilities conducting surface water have been connected to the District's sewer system, and such customer has failed to take appropriate action within thirty (30) days of receipt of a demand by the utility in accordance with the Rules of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

| | | |
|---|---|---|
| S | = | A x R x .0006233 x C |
| S | = | the surcharge in dollars |
| A | = | the area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet |
| R | = | the measured monthly rainfall in inches |
| .0006233 | = | the conversion factor to change inches of rain x square feet of surface to thousand gallon of water |
| C | = | $8.87 - The District's approved rate per thousand gallons of metered water usage |

The utility shall not impose the surcharge unless, and until, the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing, or on-site inspection that rain or other surface water is being introduced into the sanitary sewer system at the customer's location,

and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the rules and regulations of the Public Service Commission of West Virginia.

PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

RECEIPT FOR BONDS

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

1. On the 26th day of June, 2009, at Scott Depot, West Virginia, the undersigned received for the Purchaser the single, fully registered Putnam Public Service District Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture), No. AR-1, in the principal amount of $4,520,000 (the "Series 2009 A Bonds"), dated the date hereof, bearing interest at the rate of 4.25% per annum, payable in monthly installments as stated in the Series 2009 A Bonds. The Series 2009 A Bonds represent the entire above-captioned Bond issue.

2. At the time of such receipt, the Series 2009 A Bonds had been executed and sealed by the designated officials of the Public Service Board of Putnam Public Service District (the "Issuer").

3. At the time of such receipt, there was paid to the Issuer the sum of $266,835, being a portion of the principal amount of the Series 2009 A Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

WITNESS my signature on this 26th day of June, 2009.

Authorized Representative

06.18.09
847280.00014

SPECIMEN

UNITED STATES OF AMERICA
PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2009 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 $4,520,000

FOR VALUE RECEIVED, 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 FOUR MILLION FIVE HUNDRED TWENTY THOUSAND DOLLARS (4,520,000), plus interest on the unpaid principal balance at the rate of 4.25% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof. and $20,024, 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 June 24, 2009, 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 WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S:

(I) SEWER REVENUE BONDS, SERIES 1975 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED OCTOBER 23, 1975, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $605,000 (THE "SERIES 1975 BONDS"),

(II) SEWER REVENUE BONDS, SERIES 1979 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS"),

(III) SEWER REVENUE BONDS, SERIES 1993 (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED MARCH 30, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $267,000 (THE "SERIES 1993 BONDS"),

(IV) SEWER REVENUE BONDS, SERIES 1995 (UNITED STATES DEPARTMENT OF AGRICULTURE), 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 (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),

(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"),

(VII) SEWER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,946,000 (THE "SERIES 2006 A BONDS"),

(VIII) SEWER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 12, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,104,000 (THE "SERIES 2006 B BONDS"),

(IX) SEWER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED MARCH 19, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,330,000 (THE "SERIES 2007 A BONDS"),

(X) SEWER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA SRF PROGRAM), DATED JANUARY 28, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,680,000 (THE "SERIES 2008 A BONDS"), AND

(XI) SEWER REVENUE BONDS, SERIES 2008 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 6, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $509,000 (THE "SERIES 2008 B BONDS").

THE SERIES 1975 BONDS, THE SERIES 1979 BONDS, THE SERIES 1993 BONDS, THE SERIES 1995 BONDS, THE SERIES 2002 A BONDS, THE SERIES 2002 B BONDS, THE SERIES 2006 A BONDS, THE SERIES 2006 B BONDS, THE SERIES 2007 A BONDS, THE SERIES 2008 A BONDS, AND THE SERIES 2008 B BONDS ARE SOMETIMES HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

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, 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.

PUTNAM PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

SPECIMEN

Chairman, Public Service Board

ATTEST:

SPECIMEN

Secretary, Public Service Board

EXHIBIT A

RECORD OF ADVANCES

| AMOUNT | DATE | AMOUNT | DATE |
|---|---|---|---|
| (1) $266,835 | June 26, 2009 | (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:

_____

PUTNAM PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 2009 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$4,520,000

REGISTRATION BOOKS

(No writing on these Books except by the Issuer as Registrar)

| Bond No. | Date of Registration | In Whose Name Registered | Signature of Secretary of Registrar |
|---|---|---|---|
| AR-1 | June 26, 2009 | United States Department of Agriculture | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

06.18.08
847280.0014

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www.steptoe-johnson.com

Writer's Contact Information

June 26, 2009

Putnam Public Service District
Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

Putnam Public Service District
Scott Depot, West Virginia

United States Department of Agriculture
Beckley, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Putnam Public Service District in Putnam County, West Virginia (the "Issuer"), of its $4,520,000 Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture), dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted June 24, 2009 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district and public corporation and a political subdivision of the State of West Virginia, with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.



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Huntington, WV • Columbus, OH

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

3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds on a parity with the Issuer's (i) Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated October 23, 1975, issued in the original aggregate principal amount of $605,000 (the "Series 1975 Bonds"), (ii) Sewer Revenue Bonds, Series 1979 (United States Department of Agriculture), dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (iii) Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds"), (iv) Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture), 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 (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"), (vi) 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 2002 B Bonds"), (vii) Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $4,946,000 (the "Series 2006 A Bonds"), (viii) Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $2,104,000 (the "Series 2006 B Bonds"); (ix) Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated March 19, 2007, issued in the original aggregate principal amount of $2,330,000 (the "Series 2007 A Bonds") , (x) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated January 28, 2008, issued in the original aggregate principal amount of $3,680,000 (the "Series 2008 A Bonds"), and (xi) Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund), dated June 6, 2008, issued in the original aggregate principal amount of $509,000 (the "Series 2008 B Bonds") (collectively referred to as the "Prior Bonds").

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

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

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

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

Very truly yours,

STEPTOE & JOHNSON PLLC

06.18.09
847280.00014

LAW OFFICES
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June 25, 2009

Putnam Public Service District
Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

Putnam Public Service District
Scott Depot, West Virginia

United States Department of Agriculture
Cross Lanes, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am Special PSC Counsel to Putnam Public Service District, a public service district in Putnam County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinions of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted June 24, 2009 (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Putnam County relating to the creation of the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

I am of the opinion that:

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

2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the

requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

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

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

5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from The County Commission of Putnam County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has duly published a notice of the acquisition and construction of the Project, and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

6. To the best of my knowledge, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds or the Resolution, the acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Sincerely,

Robert R. Rodecker

Robert R. Rodecker

PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Putnam Public Service District in Putnam County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify this 26th day of June, 2009 in connection with the Putnam Public Service District Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture) (the "Series 2009 A Bonds"), No. AR-1, fully registered, in the principal amount of $4,520,000, dated the date hereof and bearing interest at the rate of 4.25% per annum, as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Series 2009 A Bonds has been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to Letters of Conditions of the Purchaser, dated September 12, 2007, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted June 24, 2009 authorizing issuance of the Series 2009 A Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Series 2009 A Bonds are being issued on this date to finance the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

**12**

2. NO LITIGATION: No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the issuance and delivery of the Series 2009 A Bonds or receipt of any grant monies committed for the System; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2009 A Bonds; nor in any way questioning or affecting the validity of the grants committed for the System or the Series 2009 A Bonds, or any provisions made or authorized for the payment thereof, including, without limitation, the pledge or application of any monies or security therefor; nor questioning the existence, powers or proceedings of the Issuer or its Public Service Board (the "Governing Body") or the title of the members and officers thereof to their respective offices; nor questioning the operation of the System or the acquisition and construction of the Project, a portion of the cost of which is being financed out of the proceeds of sale of the Series 2009 A Bonds; nor questioning the rates and charges provided for services of the System.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, authorizations, registrations, exemptions, consents and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2009 A Bonds, have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project were solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered on August 18, 2008, which became Final Order on September 7, 2008 in Case No. 08-0758-PSD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the rates and charges of the System. The time for appeal of the Final Order has expired prior to the date hereof. The Order remains in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval by the Purchaser of a loan to assist in acquisition and construction of the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2009 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated October 23, 1975, issued in the original aggregate principal amount of $605,000 (the "Series 1975 Bonds"), (ii) Sewer Revenue Bonds, Series 1979 (United States Department of Agriculture), dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (iii) Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds"), (iv) Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture), 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 (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"), (vi) 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 2002 B Bonds"), (vii) Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $4,946,000 (the "Series 2006 A Bonds"), (viii) Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated May 12, 2006, issued in the original aggregate principal amount of $2,104,000 (the "Series 2006 B Bonds"), (ix) Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated March 19, 2007, issued in the original aggregate principal amount of $2,330,000 (the "Series 2007 A Bonds"), (x) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), dated January 28, 2008, issued in the original aggregate principal amount of $3,600,000 (the "Series 2008 A Bonds"), and (xi) Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund), dated June 6, 2008, issued in the original aggregate principal amount of $509,000 (the "Series 2008 B Bonds") (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.

5. SIGNATURES, ETC.: The undersigned Chairman and Secretary did, for the Issuer on the date of delivery of the Series 2009 A Bonds on the date hereof, officially execute and seal the Series 2009 A Bonds with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected, appointed, qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Series 2009 A Bonds for the Issuer.

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

Bond Resolution

Prior Bond Resolutions

Consent of WDA to Issuance of Parity Bonds

Consent of USDA to Issuance of Parity Bonds

Public Service Commission Order

United States Department of Agriculture Loan Resolutions

County Commission Orders Regarding Creation of the District

County Commission Orders of Appointment of Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Notice of Filing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

United States Department of Agriculture Letters of Conditions

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Putnam Public Service District" and its principal office and place of business are in Putnam County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

| Name | Date of Commencement of Office | Date of Termination of Office |
|---|---|---|
| Paul D. Callahan | March 4, 2008 | August 31, 2013 |
| Calvin L. Hatfield | August 31, 2003 | August 31, 2009 |
| Joe E. Miller | August 31, 2005 | August 31, 2011 |

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2009 are as follows:

| | | |
|---|---|---|
| Chairman | – | Joe E. Miller |
| Secretary | – | Paul D. Callahan |
| Treasurer | – | Calvin L. Hatfield |

Calvin Hatfield was elected as acting Secretary for the purposes of executing the closing documents for the Series 2009 A Bonds.

The duly appointed and acting Attorney for the Issuer is Bassett & Lowe and the duly appointed Special PSC Counsel is Robert R. Rodecker, Esquire, Charleston, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Series 2009 A Bonds were delivered to the Purchaser at Scott Depot, West Virginia, by the undersigned Chairman for the purposes set forth herein, and at the time of such delivery the

Series 2009 A Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Bond Resolution.

At the time of delivery of the Series 2009 A Bonds, the amount of $266,835 was received by the undersigned Chairman, being a portion of the principal amount of Series 2009 A Bonds. Further advances of the balance of the principal amount of the Series 2009 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Series 2009 A Bonds are each dated the date hereof, and interest on advances of the principal thereof at the rate of 4.25% per annum is payable from the date of each such advance.

The Series 2009 A Bonds and the entire proceeds thereof will be used for the purposes herein set forth and for no other purposes.

9. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition, construction, operation and maintenance of the Project and the System have been acquired or can and will be acquired by purchase, or if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Series 2009 A Bonds.

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

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

12. CONNECTIONS, ETC.: The Issuer will serve at least 7,777 bona fide full-time users upon the System on completion, in full compliance with the requirements and conditions of the Purchaser.

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

14. CONFLICT OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Series 2009 A Bonds, the Bond Resolution and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Bond Resolution. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

15. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Series 2009 A Bonds.

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

[Remainder of Page Intentionally Left Blank]

WITNESS our signatures and the official seal of PUTNAM PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

| SIGNATURE | OFFICIAL TITLE |
| --- | --- |
| _____ | Chairman |
| _____ | Secretary |
| _____ | Attorney for Issuer |
| _____ | Special PSC Counsel (Paragraph 3) |

06.17.09
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WITNESS our signatures and the official seal of PUTNAM PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

| SIGNATURE | OFFICIAL TITLE |
|---|---|
| _____ | Chairman |
| _____ | Secretary |
| _____ | Attorney for Issuer |
| Robert R. Rodecker | Special PSC Counsel (Paragraph 3) |

06.17.09
847280.00014

PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

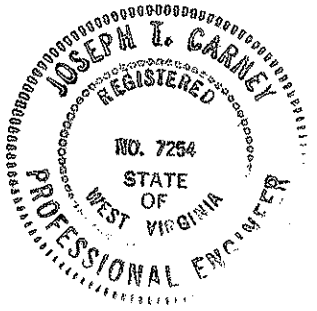
ENGINEER'S CERTIFICATE

I, Joseph T. Carney, Registered Professional Engineer, West Virginia License No. 007254, of E.L. Robinson, Charleston, West Virginia, hereby certify that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing sewerage system (the "System") of Putnam Public Service District (the "Issuer"), to be acquired and constructed in Putnam County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

I further certify that the Project is adequate for the purpose for which it was designed and that all necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained or can and will be obtained.

WITNESS my signature on this 26th day of June, 2009.




E.L. ROBINSON

Joseph T. Carney

Joseph T. Carney
West Virginia License No. 007254

06.17.09
847280.00014

**BASSETT & LOWE**
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June 26, 2009

Putnam Public Service District
Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

Putnam Public Service District
Scott Depot, West Virginia

United States Department of Agriculture
Cross Lanes, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the recommended Decision entered January 16, 2007 and Commission Order dated April 23, 2008 of the Public Service Commission of West Virginia in Case No. 06-0743-PSD-CN, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by E.L. Robinson, Consulting Engineer, it is my opinion that such rates and charges (i) 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 Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture) (the "Series 2009 A Bonds") and the Prior Bonds, as herein after defined, and sufficient to make the payments required into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and (ii) be sufficient to provide revenues to pay all operating expenses of the System and 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 2009 A Bonds, to be issued in the aggregate principal amount of $4,520,000 on the date hereof, and all other obligations secured by or payable from the revenues of the System on a parity with the Series 2009 A Bonds, including the Issuer's (i) Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), (ii) Sewer Revenue Bonds, Series 1979 (United States Department of Agriculture), (iii) Sewer Revenue Bonds, Series 1993 (West Virginia Water Development Authority), (iv) Sewer Revenue Bonds, Series 1995 (United States Department of Agriculture), (v) Sewer

Revenue Bonds, Series 2002 A (United States Department of Agriculture), (vi) Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), (vii) Sewer Revenue Bonds 2006 A (United States Department of Agriculture), (viii) Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), (ix) Sewer Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), (x) Sewer Revenue Bonds, Series 2008 A (West Virginia SRF Program), and (xi) Sewer Revenue Bonds, Series 2008 B (West Virginia Infrastructure Fund) (collectively, the "Prior Bonds").

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

Very truly yours,

Bassett & Lowe

BASSETT & LOWE

7-6-06

ESTABLISHED 1900

COOKIE ALLEN
PUBLISHER

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# THE HURRICANE BREEZE

THE WEEKLY NEWSPAPER FOR ALL OF PUTNAM COUNTY
488 HURRICANE CREEK ROAD
P.O. BOX 310
HURRICANE, WEST VIRGINIA 25526

LEGAL ADVERTISEMENT

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON
CASE NO. 03-1042-PSWD-PC
SOUTH PUTNAM PUBLIC SERVICE DISTRICT

NOTICE OF NAME CHANGE

By a Recommended Decision issued September 5, 2003 (Final Commission Order, September 25, 2003) the Commission approved the transfer of the North Putnam Public Service District's public utility system to the South Putnam Public Service District.

On April 28, 2006, the South Putnam Public Service District filed a "Petition to Reopen" requesting approval to change the name of the district to "Putnam Public Service District."

According to West Virginia Code §16-13A-4(f) a name change as requested by South Putnam requires the approval of the West Virginia Public Service Commission and the written consent of any existing holders of bonds or notes issued by South Putnam.

By a Commission Order entered June 7, 2006 the Commission granted its approval of the name change and further ordered South Putnam to provide notice to its customers upon receiving the written consent of its bond and note holders. Such approval was received.

Accordingly, please note that the new name of the South Putnam Public Service District shall be: "Putnam Public Service District."

PUTNAM PUBLIC SERVICE DISTRICT

7-6-1t

## CERTIFICATE OF PUBLICATION

STATE OF WEST VIRGINIA,
COUNTY OF PUTNAM, To wit:

This day personally appeared before me, a Notary Public of said County of Putnam,.....Ron.Allen.....of The Hurricane Breeze, and after being duly sworn deposes and says that the attached legal publication was duly published in The Hurricane Breeze for..One..(1) consecutive issues, in its issues dated .... July 6, 2006..

Ron Allen
.....
The Hurricane Breeze

Subscribed and sworn to before me this..10th.....day of..... July ....., 2006...

Lora V. Hart
.....
Notary Public

OFFICIAL SEAL
STATE OF WEST VIRGINIA
NOTARY PUBLIC
LORA V. HART
105 Willard Circle
Hurricane, WV 25526
My Commission Expires March 8, 2010

6-27-06

NORTH PUTNAM PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE TRANSFER OF THE ASSETS OF NORTH PUTNAM PUBLIC SERVICE DISTRICT, THE ASSIGNMENT OF THE BONDS OF NORTH PUTNAM PUBLIC SERVICE DISTRICT TO SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE DISSOLUTION OF NORTH PUTNAM PUBLIC SERVICE DISTRICT

WHEREAS, North Putnam Public Service District (hereinafter "North Putnam") is a public service district and public corporation created by Resolution of The County Commission of Putnam County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, South Putnam Public Service District (hereinafter "South Putnam") is a public service district and public corporation created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the Public Service Board of North Putnam adopted a resolution on July 11, 2000, following a duly noticed public hearing, authorizing the transfer of the assets of North Putnam to South Putnam and the assignment of the North Putnam Public Service District Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated October 23, 1975, issued in the original aggregate principal amount of $605,000, originally issued under the name "East Kanawha Public Service District" (the "Series 1975 Bonds") and the North Putnam Public Service District Sewer Revenue Bonds, Series 1993 (West Virginia SRF Program), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds") to South Putnam;

WHEREAS, the County Commission adopted a resolution on July 8, 2003, approving the transfer of the assets of North Putnam to South Putnam, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-1042-PSWD-PC, by Final Order entered on September 5, 2003, approved the transfer of the assets of North Putnam to South Putnam and the assignment of the Series 1975 Bonds and the Series 1993 Bonds to South Putnam (collectively, the "Transfer and Assignment"), subject to the approval of the bondholders of the Districts;

WHEREAS, the County Commission adopted a resolution on April 22, 2003, approving the dissolution of North Putnam and expanding the boundaries of South Putnam, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-0536-PSWD-PC, by Final Order entered on November 5, 2003, approved the dissolution of North Putnam and the expansion of the boundaries of South Putnam, subject to the transfer of the assets of North Putnam to South Putnam as approved in Case No. 03-1042-PSWD-PC and the approval of the bondholders of the Districts;

WHEREAS, the County Commission adopted a resolution on April 25, 2005, changing the name of South Putnam Public Service District to "Putnam Public Service District," subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-1042-PSWD-PC, by Commission Order entered on June 7, 2006, approved the change of the name of South Putnam Public Service District to "Putnam Public Service District," subject to the approval of the bondholders of the Districts;

WHEREAS, the West Virginia Water Development Authority, as the holder of the Series 1993 Bonds heretofore issued by North Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1993 Bonds by South Putnam, the dissolution of North Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the United States Department of Agriculture - Rural Development, as the holder of the Series 1975 Bonds heretofore issued by North Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds by South Putnam, the dissolution of North Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the West Virginia Water Development Authority, as the holder of the Series 2002 B Bonds heretofore issued by South Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds and the Series 1993 Bonds by South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the United States Department of Agriculture - Rural Development, as the holder of the Series 1979 Bonds, Series 1995 Bonds, Series 2002 A Bonds, Series 2006 A Bonds and Series 2006 B Bonds heretofore issued by South Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds and the Series 1993 Bonds by South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District;"

WHEREAS, The County Commission of Putnam County plans to adopt a resolution on June 27, 2006, approving and ratifying the proposed Transfer and Assumption, the dissolution of North Putnam, the expansion of the boundaries of South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District;"

WHEREAS, the Board of South Putnam plans to adopt a resolution on June 27, 2006, approving and ratifying the proposed Transfer and Assumption;

WHEREAS, contemporaneously with the transfer of the assets of North Putnam to South Putnam, North Putnam desires to assign, and South Putnam desires to assume all liabilities for and obligations under the Series 1975 Bonds and the Series 1993 Bonds; and

WHEREAS, it is in the best interest of the customers of South Putnam and North Putnam to complete the proposed Transfer and Assumption, to convey all assets, rights, privileges, immunities and powers of North Putnam to South Putnam, for South Putnam to assume and re-designate the Series 1975 Bonds and the Series 1993 Bonds, for North Putnam to be dissolved, for the boundaries of South Putnam to be expanded and for the name of South Putnam Public Service District to be changed to Putnam Public Service District.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF NORTH PUTNAM PUBLIC SERVICE DISTRICT, PUTNAM COUNTY, WEST VIRGINIA AS FOLLOWS:

1. North Putnam does hereby authorize and ratify the transfer of the assets of North Putnam to South Putnam, the assignment of the Series 1975 Bonds and the Series 1993 Bonds to South Putnam and the dissolution of North Putnam.

2. That, immediately following the consummation of the Transfer and Assumption on or about June 30, 2006, North Putnam shall be dissolved.

3. The Chairman and Secretary of North Putnam are hereby authorized and directed to execute all documents concerning the Transfer and Assumption, specifically including, but not limited to, the assignment of the Series 1975 Bonds and the Series 1993 Bonds.

4. The Chairman and Secretary of North Putnam are hereby authorized and directed to execute all documents concerning the dissolution of North Putnam.

5. The Chairman and Secretary of North Putnam are vested with the appropriate authority to take any and all actions necessary to complete Transfer and Assumption and the dissolution of North Putnam.

6. This Resolution shall become effective immediately upon adoption hereof.

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Adopted by the Public Service Board of North Putnam Public Service District at a meeting held on the 27th day of June, 2006.

NORTH PUTNAM PUBLIC SERVICE DISTRICT

[SEAL]

Chairman

Secretary

06.21.06
847280.00004



CH829421.2

6-27-06

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE ACQUISITION OF THE ASSETS OF NORTH PUTNAM PUBLIC SERVICE DISTRICT, THE ASSUMPTION AND RE-DESIGNATION OF THE BONDS OF NORTH PUTNAM PUBLIC SERVICE DISTRICT, THE EXPANSION OF THE BOUNDARIES OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE CHANGE OF THE NAME OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT TO PUTNAM PUBLIC SERVICE DISTRICT

WHEREAS, South Putnam Public Service District (hereinafter "South Putnam") is a public service district and public corporation created by Resolution of The County Commission of Putnam County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, North Putnam Public Service District (hereinafter "North Putnam") is a public service district and public corporation created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the Public Service Board of North Putnam adopted a resolution on July 11, 2000, following a duly noticed public hearing, authorizing the transfer of the assets of North Putnam to South Putnam and the assignment of the North Putnam Public Service District Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture), dated October 23, 1975, issued in the original aggregate principal amount of $605,000, originally issued as "East Kanawha Public Service District" (the "Series 1975 Bonds") and the North Putnam Public Service District Sewer Revenue Bonds, Series 1993 (West Virginia SRF Program), dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds") to South Putnam;

WHEREAS, the County Commission adopted a resolution on July 8, 2003, approving the transfer of the assets of North Putnam to South Putnam, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-1042-PSWD-PC, by Final Order entered on September 5, 2003, approved the transfer of the assets of North Putnam to South Putnam and the assignment of the Series 1975 Bonds and the Series 1993 Bonds to South Putnam (collectively, the "Transfer and Assignment"), subject to the approval of the bondholders of the Districts;

WHEREAS, the County Commission adopted a resolution on April 22, 2003, approving the dissolution of North Putnam and expanding the boundaries of South Putnam, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-0536-PSWD-PC, by Final Order entered on November 5, 2003, approved the dissolution of North Putnam and the expansion of the boundaries of South Putnam, subject to the transfer of the assets of North Putnam to South Putnam as approved in Case No. 03-1042-PSWD-PC and the approval of the bondholders of the Districts;

WHEREAS, the County Commission adopted a resolution on April 25, 2005, changing the name of South Putnam Public Service District to "Putnam Public Service District," subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-1042-PSWD-PC, by Commission Order entered on June 7, 2006, approved the change of the name of South Putnam Public Service District to "Putnam Public Service District," subject to the approval of the bondholders of the Districts;

WHEREAS, the West Virginia Water Development Authority, as the holder of the Series 1993 Bonds heretofore issued by North Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1993 Bonds by South Putnam, the dissolution of North Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the United States Department of Agriculture - Rural Development, as the holder of the Series 1975 Bonds heretofore issued by North Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds by South Putnam, the dissolution of North Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the West Virginia Water Development Authority, as the holder of the Series 2002 B Bonds heretofore issued by South Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds and the Series 1993 Bonds by South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the United States Department of Agriculture - Rural Development, as the holder of the Series 1979 Bonds, Series 1995 Bonds, Series 2002 A Bonds, Series 2006 A Bonds and Series 2006 B Bonds heretofore issued by South Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds and the Series 1993 Bonds by South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District;"

WHEREAS, The County Commission of Putnam County adopted a resolution on June 27, 2006, approving and ratifying the proposed Transfer and Assumption, the dissolution of North Putnam, the expansion of the boundaries of South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District;"

WHEREAS, the Board of North Putnam adopted a resolution on June 22, 2006, approving and ratifying the proposed Transfer and Assumption and the dissolution of North Putnam;

WHEREAS, contemporaneously with the acquisition of the assets of North Putnam by South Putnam, North Putnam desires to assign, and South Putnam desires to assume all liabilities for and obligations under the Series 1975 Bonds and the Series 1993 Bonds;

WHEREAS, contemporaneously with the assumption of the Series 1975 Bonds and the Series 1993 Bonds, South Putnam desires to re-designate the Series 1975 Bonds and the Series 1993 Bonds as sewer revenue bonds of South Putnam; and

WHEREAS, it is in the best interest of the customers of South Putnam and North Putnam to complete the proposed Transfer and Assumption, to convey all assets, rights, privileges, immunities and powers of North Putnam to South Putnam, for South Putnam to assume and re-designate the Series 1975 Bonds and the Series 1993 Bonds, for North Putnam to be dissolved, for the boundaries of South Putnam to be expanded and for

the name of South Putnam Public Service District to be changed to Putnam Public Service District.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT, PUTNAM COUNTY, WEST VIRGINIA AS FOLLOWS:

1. South Putnam does hereby authorize and ratify the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds and the Series 1993 Bonds and the re-designation of the Series 1975 Bonds and the Series 1993 Bonds as bonds of South Putnam.

2. South Putnam does hereby authorize and ratify the assumption of all liabilities, rights, responsibilities and obligations in connection with the Series 1975 Bonds and the Series 1993 Bonds, specifically including, but not limited to, those liabilities, rights, responsibilities and obligations set forth in the resolutions and loan agreements for the Series 1975 Bonds and the Series 1993 Bonds.

3. Upon the assumption of the Series 1975 Bonds by South Putnam, such bonds shall be re-designated as follows:

> South Putnam Public Service District Sewer Revenue Bonds, Series 1975 (United States Department of Agriculture) (Formerly North Putnam Public Service District Sewer Revenue Bonds, Series 1975)

4. Upon the assumption of the Series 1993 Bonds by South Putnam, such bonds shall be re-designated as follows:

> South Putnam Public Service District Sewer Revenue Bonds, Series 1993 (West Virginia SRF Program) (Formerly North Putnam Public Service District Sewer Revenue Bonds, Series 1993)

5. That, immediately following the consummation of the Transfer and Assumption as of the close of business on June 30, 2006, the boundaries of South Putnam shall be expanded and the name of South Putnam Public Service District shall be changed to "Putnam Public Service District."

6. Upon the change of the name of South Putnam to "Putnam Public Service District," all outstanding bonds of the District shall noted with the new name of Putnam Public Service District.

7. The Chairman and Secretary of South Putnam are hereby authorized and directed to execute all documents concerning the Transfer and Assumption, specifically including, but not limited to, the assumption of the Series 1975 Bonds and the Series 1993 Bonds, and the re-designation of the Series 1975 Bonds and the Series 1993 Bonds as sewer revenue bonds of South Putnam.

8. The Chairman and Secretary of South Putnam are hereby authorized and directed to execute all documents concerning the expansion of the boundaries of South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District."

9. The Chairman and Secretary of South Putnam are vested with the appropriate authority to take any and all actions necessary to complete Transfer and Assumption, the expansion of boundaries and the name change of South Putnam.

10. The statutory mortgage liens of the Series 1975 Bonds and the Series 1993 Bonds is hereby assumed by South Putnam and are a valid lien against the System as of the date of assumption, on a parity with one another and with South Putnam's other first lien bonds.

11. The Transfer and Assumption of North Putnam, the expansion of South Putnam's boundaries, the name change to Putnam Public Service District and the dissolution of North Putnam shall all become effective as of the close of business on June 30, 2006.

12. This Resolution shall become effective immediately upon adoption hereof.

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Adopted by the Public Service Board of South Putnam Public Service District at a meeting held on the 27th day of June, 2006.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

[SEAL]

Chairman

Secretary

06.25.06
847280.00004

6.27.06

BEFORE THE COUNTY COMMISSION OF PUTNAM COUNTY

ORDER APPROVING AND RATIFYING THE ACQUISITION OF THE ASSETS OF NORTH PUTNAM PUBLIC SERVICE DISTRICT BY SOUTH PUTNAM PUBLIC SERVICE DISTRICT, THE DISSOLUTION OF NORTH PUTNAM PUBLIC SERVICE DISTRICT, THE EXPANSION OF THE BOUNDARIES OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE CHANGE OF THE NAME OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT TO PUTNAM PUBLIC SERVICE DISTRICT

WHEREAS, South Putnam Public Service District (hereinafter "South Putnam") is a public service district and public corporation created by Resolution of The County Commission of Putnam County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, North Putnam Public Service District (hereinafter "North Putnam") is a public service district and public corporation created by Resolution of the County Commission and formed pursuant to the provisions of the Act, originally named "East Kanawha Public Service District", which name has previously been changed by the County Commission to "North Putnam Public Service District";

WHEREAS, the County Commission adopted a resolution on July 8, 2003, approving the transfer of the assets of North Putnam to South Putnam, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-1042-PSWD-PC, by Final Order entered on September 5, 2003, approved the transfer of the assets of North Putnam to South Putnam, subject to the approval of the bondholders of the Districts;

WHEREAS, the County Commission adopted a resolution on April 22, 2003, approving the dissolution of North Putnam and expanding the boundaries of South Putnam, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-0536-PSWD-PC, by Final Order entered on November 5, 2003, approved the dissolution of North Putnam and the expansion of the boundaries of South Putnam, subject to the transfer of the assets of North Putnam to South Putnam as approved in Case No. 03-1042-PSWD-PC and the approval of the bondholders of the Districts;

WHEREAS, the County Commission adopted a resolution on April 25, 2005, changing the name of South Putnam Public Service District to "Putnam Public Service District," subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 03-1042-PSWD-PC, by Commission Order entered on June 7, 2006, approved the change of the name of South Putnam Public Service District to "Putnam Public Service District," subject to the approval of the bondholders of the Districts;

WHEREAS, the West Virginia Water Development Authority, as the holder of the Sewer Revenue Bonds, Series 1993 (the "Series 1993 Bonds") heretofore issued by North Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1993 Bonds by South Putnam, the dissolution of North Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the United States Department of Agriculture - Rural Development, as the holder of the Sewer Revenue Bonds, Series 1975 (the "Series 1975 Bonds") heretofore issued by North Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds by South Putnam, the dissolution of North Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the West Virginia Water Development Authority, as the holder of the Series 2002 B Bonds heretofore issued by South Putnam has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds and the Series 1993 Bonds by South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District";

WHEREAS, the United States Department of Agriculture - Rural Development, as the holder of the Series 1979 Bonds, Series 1995 Bonds, Series 2002 A Bonds, Series 2006 A Bonds and Series 2006 B Bonds heretofore issued by South Putnam

has consented to the acquisition of the assets of North Putnam by South Putnam, the assumption of the Series 1975 Bonds and Series 1993 Bonds by South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District;" and

WHEREAS, it is now deemed desirous by the County Commission to adopt a Resolution approving and ratifying the transfer of the Assets of North Putnam to South Putnam and the assumption by South Putnam of the Series 1975 Bonds and Series 1993 Bonds, ratifying and confirming all lawful actions taken by all parties and their counsel to effectuate and complete such transfer and assumption, ordering the Public Service Boards of North Putnam and South Putnam to expeditiously take all actions necessary to consummate and complete the transaction, ordering North Putnam be dissolved immediately following the consummation of the transfer and assumption, and further ordering that the boundaries of South Putnam and the change of the name of South Putnam Public Service District to "Putnam Public Service District" be effective immediately upon the consummation of the transfer and assumption.

NOW, THEREFORE, BE IT, AND IT IS, HEREBY, RESOLVED AND ORDERED BY THE COUNTY COMMISSION OF PUTNAM COUNTY AS FOLLOWS:

1. That the transfer of the assets of North Putnam to South Putnam and assumption by South Putnam of the Series 1975 Bonds and Series 1993 Bonds (collectively, the "Transfer and Assumption") is hereby ratified, confirmed and, upon execution and filing of necessary documents by the Public Service Boards of the respective Districts, in all respects deemed completed and to be effective as of the close of business on June 30, 2006.

2. That all lawful actions taken, or to be taken, by the parties to this transaction and their counsel to effectuate and complete the Transfer and Assumption are hereby ratified and confirmed.

3. That the Public Service Boards of North Putnam and South Putnam are hereby ordered to expeditiously take all actions necessary to consummate and complete the Transfer and Assumption.

4. That, immediately following the consummation of the Transfer and Assumption, North Putnam shall be dissolved.

5. That, immediately following the consummation of the Transfer and Assumption, the boundaries of South Putnam shall be expanded and the name of South Putnam Public Service District shall be changed to "Putnam Public Service District."

6. The Transfer and Assumption of North Putnam, the expansion of South Putnam's boundaries, the name change to Putnam Public Service District and the dissolution of North Putnam shall all become effective as of the close of business on June 30, 2006.

7. This Resolution and Order shall be effective immediately following adoption hereof.

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ENTERED into the permanent record of Putnam County, West Virginia, this 27th day of June, 2006.

President

ATTEST:

Clerk

06.25.06
847280.00004



CH746424.4

6.7.06

031042coma060706.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 7th day of June, 2006.

CASE NO. 03-1042-PSWD-PC

SOUTH PUTNAM PUBLIC SERVICE DISTRICT
and NORTH PUTNAM PUBLIC SERVICE DISTRICT
Joint petition for consent and approval for the sale of North Putnam Public Service District's utility system to South Putnam Public Service District.

## COMMISSION ORDER

On July 9, 2003 the South Putnam Public Service District (South Putnam) and the North Putnam Public Service District (North Putnam) filed a joint petition seeking Commission consent and approval for the transfer of North Putnam's public utility system (utility system) to South Putnam. In support of the joint petition, South Putnam and North Putnam stated:

(1) The proposed transfer of the North Putnam utility system to South Putnam will be conducive to the preservation of the public health, comfort and convenience of Putnam County;

(2) Pursuant to an Operation and Maintenance Agreement (O&M Agreement) previously entered into between the Petitioners and approved by the Commission in Case No. 00-1134-PSWD-PC (November 14, 2000), South Putnam has been operating and maintaining the utility system of North Putnam;

(3) In the O&M Agreement, North Putnam granted unto South Putnam the exclusive right and option to purchase North Putnam's existing public utility system for the consideration of One Dollar ($1.00), and the complete assumption of any outstanding indebtedness owed by North Putnam to the Rural Utilities Service (RUS), West Virginia Water Development Authority (WDA) and City National Bank;

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(4) South Putnam has been working with the U.S. Army Corps of Engineers in developing a sewer upgrade project for the area currently served by the sewer facilities of North Putnam Public Service District. The Corps of Engineers, which is providing grant monies for the sewer upgrade project, has notified South Putnam that, before the proposed project can move forward, South Putnam will need to acquire the facilities of North Putnam. Therefore, South Putnam wishes to exercise its option to purchase North Putnam's public utility assets pursuant to the O&M Agreement;

(5) The Putnam County Commission has adopted a Resolution proposing (1) the expansion of South Putnam's territory to include the entire territory in Putnam County located north of the Kanawha River and not contained within the boundaries of any municipal or private utility, which area contains the operating territory of North Putnam Public Service District; (2) the dissolution of North Putnam Public Service District; and (3) the rescission of a portion of a March 4, 1993 County Commission Order insofar as it purported to merge Putnam Union Public Service District and North Putnam Public Service District and create a new North Putnam Public Service District. Pursuant to the requirements of *West Virginia Code* § 16-13A-2, the County Commission has filed the appropriate documents with the Public Service Commission seeking its approval of the County Commission's actions. See, Case No. 03-0536-PSWD-PC;

(6) On August 3, 2000, the Board of North Putnam held a hearing pursuant to the requirements of *West Virginia Code* § 16-13A-18a. Following the hearing, at which no member of the public appeared, North Putnam unanimously approved the transfer of that district's assets to South Putnam. A copy of the minutes of the August 3, 2000 meeting was attached to the joint petition as Exhibit 1. A copy of the affidavit of publication notifying the public of the hearing to be held on August 3, 2000 was attached as Exhibit 2. A copy of the resolution of the Board of North Putnam authorizing the Board to undertake all actions necessary to effectuate the transfer of its system to South Putnam was attached to the petition as Exhibit 3;

(7) On July 8, 2003, the County Commission of Putnam County, West Virginia, unanimously passed a resolution approving the action of North Putnam in seeking to transfer its system to South Putnam, subject to the approval of the Public Service Commission and subject to the further approval of North Putnam's bondholders. A copy of the resolution of the County Commission was attached to the petition as Exhibit 4; and



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(8) In order for South Putnam to obtain the necessary funds for the construction of needed sewer facilities in the territory of North Putnam, it is necessary that South Putnam have ownership of North Putnam's current utility assets.

On July 10, 2003 counsel for the Petitioners filed original verifications for the joint petition filed herein on July 9, 2003.

On August 12, 2003 Staff Attorney Ronald E. Robertson, Jr., filed an "Initial and Final Joint Staff Memorandum." An "Initial and Final Internal Memorandum" dated August 5, 2003 from William A. Nelson, Utilities Analyst Supervisor, Water and Wastewater Division, and Jonathan Fowler, P.E., Engineer I, Engineering Division, was attached thereto. Commission Staff (Staff) stated that, based upon its review of the petition and exhibits attached thereto, South Putnam and North Putnam had met the requirements of *West Virginia Code* § 16-13A-18a regarding the sale of North Putnam's utility system to South Putnam. Staff, after noting the Putnam County Commission's pending Case No. 03-0536-PSWD-PC, seeking Commission approval, in part, to dissolve North Putnam and expand South Putnam's boundaries to encompass the current service area of North Putnam, stated that the sale of North Putnam's utility system had to be approved and finalized prior to the dissolution actually occurring.[1] Staff went on to note that approval of the sale of North Putnam's utility system to South Putnam had to be made subject to obtaining bondholder approval. Thus, RUS, WDA and City National Bank had to give their consent to the proposed sale. Accordingly, Staff requested that copies of the consents to the proposed sale executed by RUS, WDA and City National Bank be filed in this proceeding when received. In addition, it was noted that the proposed acquisition of North Putnam's utility system by South Putnam will require South Putnam to adopt and maintain the current North Putnam rates and charges in accordance with Rule 14.1[2] of the Commission's *Rules for the Construction and Filing of*

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[1] Staff noted that it intended to file its final recommendation in the dissolution case concurrently with the filing of its final recommendation in this proceeding, which would allow final orders to be issued on or about the same date in both cases. However, since a hearing scheduled for September 19, 2003 must be held in Case No. 03-0536-PSWD-PC regarding the dissolution of North Putnam, Staff was of the opinion that it was likely that the acquisition of North Putnam's utility system by South Putnam would be approved first, with approval of North Putnam's dissolution to follow some time thereafter.

[2] *Tariff Rule* 14.1 states:

> In case of change of ownership or control of a utility, or, when a utility or a part of its business is transferred from the operating control of one company to that of another, or, when its name is changed, the company,



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*Tariffs* (*Tariff Rules*). Staff noted that it would typically recommend that the purchasing utility file for a rate review approximately eighteen (18) months following acquisition. However, South Putnam had a sewer rate case, Case No. 03-1041-PSD-42T, pending before the Commission which addressed both its rates and those to be charged to the North Putnam customers. Staff stated that it had no problem with the North Putnam rates being reviewed as part of that proceeding, but the proposed sale *sub judice* had to be approved and South Putnam had to adopt the current North Putnam rates pending the outcome of the rate review in Case No. 03-1041-PSD-42T. Accordingly, Staff recommended approval of the joint petition filed herein, contingent upon North Putnam obtaining bondholder approval and South Putnam adopting and maintaining the current North Putnam rates and charges. Staff also recommended that this matter be retained by the Commission in order to expedite its processing.

By Order dated August 28, 2003 the Commission referred this matter to the Division of Administrative Law Judges (ALJ) for further disposition, with a decision due date of September 25, 2003.

On September 5, 2003 the assigned ALJ issued a Recommended Decision ordering the following:

> IT IS, THEREFORE, ORDERED that the joint petition filed herein on July 9, 2003, by South Putnam Public Service District and North Putnam Public Service District seeking Commission consent and approval for the transfer of North Putnam Public Service District's public utility system to South Putnam Public Service District be, and hereby is, approved.
>
> IT IS FURTHER ORDERED that the approval hereby granted is contingent upon North Putnam Public Service District and South Putnam Public Service District obtaining the approval of North Putnam Public Service District's three (3) bondholders, namely the Rural Utilities Service, the West Virginia Water Development Authority and City National Bank, and filing copies of said approval(s) herein immediately upon receipt.
>
> IT IS FURTHER ORDERED that the approval hereby granted is further contingent upon South Putnam Public Service District filing with the

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which will thereafter operate the utility business, must use the rates, classifications and rules and regulations of the former operating company (unless authorized to change by the Commission).



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Charleston

Commission's Tariff Office within thirty (30) days of the date that this Order becomes final, an appropriate tariff adopting the rates and charges now in effect for North Putnam Public Service District's customers.

The ALJ's Recommended Decision became a Final Order of the Commission on September 25, 2003.

On April 28, 2006 South Putnam filed a "Petition to Reopen" noting that South Putnam is in the process of finalizing the acquisition, and that the bond issuance associated therewith is anticipated to occur in June of 2006. The filing noted that by Order entered April 25, 2006 the County Commission of Putnam County changed the official name of South Putnam to "Putnam Public Service District" contingent upon approval of the Public Service Commission and the written consent of any existing holders of bonds or notes issued by South Putnam. So that a new bond issuance scheduled to occur in June of 2006 will include the new name of the "Putnam Public Service District," the petition requested expedited treatment.

On June 1, 2006 Staff filed its "Initial and Final Joint Staff Memorandum." Therein, Staff recommended approval of the name change of the South Putnam Public Service District to the "Putnam Public Service District" subject to the filing of the written consent of any existing holders of bonds or notes issued by South Putnam, pursuant to *West Virginia Code* § 16-13A-4(f). Staff further recommended that South Putnam provide notice to its customers of the new name. Staff also recommended that South Putnam be authorized to change all of its outstanding loans and bank accounts to the name of "Putnam Public Service District" after bond holder approval is received.

On June 5, 2006 South Putnam filed a letter in response to the Initial and Final Joint Staff Memorandum filed on June 1, 2006. The letter from South Putnam stated, in part, the following:

> Please be advised that the bondholders will not grant their consent until the Commission has granted approval to the name change. Therefore, in order to clarify what Staff is recommending without delaying this matter any further so that the bonds anticipated to be issued shortly may be issued in the new name of the District, it is respectfully requested that the Commission's Order approving the name change contain language to the effect that the name change is approved "conditioned upon the District providing the Commission with written proof of the approval of the bondholders." [Emphasis in original.]



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of West Virginia
Charleston

Regarding public notice to the District's customers, the District will adhere to any post-approval publication of notice to its customers of the name change that the Commission may require in its Order.

## DISCUSSION

*West Virginia Code* § 16-13A-4(f) reads as follows:

> (f) ... . The county commission which created a district or county commissions if more than one created the district may, upon written request of the district, adopt an order changing the official name of a public service district: *Provided,* That such name change will not be effective until approved by the public service commission of West Virginia and the owners of any bonds and notes issued by the district, if any, shall have consented, in writing, to the name change. If a district includes territory located in more than one county, the county commission or county commissions changing the name of the district shall provide any county commission into which the district also extends with a certified copy of the order changing the name of the district. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located.

Rule 14 of the Commission's *Tariff Rules* reads in part as follows:

> §150-2-14. Change of Ownership.
>
> 14.1. RULE 31. In case of change of ownership or control of a utility, or when a utility or a part of its business is transferred from the operating control of one company to that of another, or **when its name is changed**, the company which will thereafter operate the utility business must use the rates, classifications and rules and regulations of the former operating company, (unless authorized to change by the Commission).
>
> 14.4. RULE 34. Within thirty (30) days after the Commission approves an application filed pursuant to Rule 14.1., said utility shall issue and file in its own name the tariff of the predecessor utility then in effect and adopted by it, or such other tariff as it proposes to put into effect in lieu thereof, as prescribed in Rules 1 through 13 hereof with proper identifying



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Charleston

designation. (Example: P.S.C. W. Va. No. 1 cancels P.S.C. W. Va. No. 1 of [insert predecessor utility]).

14.6. RULE 36. When a tariff or revision is issued by a utility in compliance with Rule 34 which states the rates, rules and regulations of the predecessor utility without change in any of the provisions thereof, the same may be filed without notice, but when such tariff or revision states any change in the effect of the rates, rules and regulations of the predecessor utility, such tariff or revision shall be subject in all respects as to filing and notice as required by these Rules. [Emphasis added.]

*West Virginia Code* § 16-13A-4(f) describes two actions that must occur prior to a name change becoming effective. The Commission must approve it. Additionally, the owners of the bonds and notes issued by the district must consent in writing. The two approvals are not contingent upon one another; each occurs independently of the other.

The Commission shall grant its approval for the name change. The Commission shall also require that South Putnam provide documentation evidencing the bond holders' written approval.

*Tariff Rule* 14.6 permits the Commission to require the utility to provide notice to its customers of the name change. The Commission shall do so by this order but shall modify the notice requirement by requiring South Putnam to provided notice to its customers by publishing a copy of the attached "Notice of Name Change."

Finally, the Commission shall require South Putnam to file a revised tariff containing its new name as approved herein.

## FINDINGS OF FACT

1. South Putnam requested approval to change its name to "Putnam Public Service District." See, Petition to Reopen filed April 28, 2006.

2. The County Commission of Putnam County adopted an Order on April 25, 2006 approving the proposed name change pursuant to *West Virginia Code* § 16-13A-4(f).

## CONCLUSIONS OF LAW

1. The Commission shall approve the requested name change.



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of West Virginia
Charleston

2. The Commission shall require South Putnam to provide documentation evidencing the bond holders' written approval.

3. The Commission shall require South Putnam to provide notice to its customers of the name change by way of publication.

4. It is also reasonable to require South Putnam to file a revised tariff containing its new name as approved herein.

## ORDER

IT IS THEREFORE ORDERED that the request by the South Putnam Public Service District to change its name to "Putnam Public Service District" is hereby approved.

IT IS FURTHER ORDERED that South Putnam shall provide the Commission with documentation evidencing that the owners of any bonds and/or notes issued by South Putnam have consented, in writing, to the name change, as soon as such documentation is available.

IT IS FURTHER ORDERED that upon written approval by the bond and/or note holders, South Putnam shall publish the attached Notice of Name Change one time in a newspaper published in the county or counties where its customers are located. South Putnam shall file an affidavit of publication upon receipt of such document.

IT IS FURTHER ORDERED that South Putnam shall file with the Commission's Tariff Office an original and five (5) copies of a proper tariff reflecting its name change to Putnam Public Service District within thirty (30) days of the date of written approval by the bond and/or note holders of the name change.

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



Public Service Commission
of West Virginia
Charleston

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

A True Copy, Teste:

Sandra Squire
Executive Secretary

JJW/klm
031042ca.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 03-1042-PSWD-PC
SOUTH PUTNAM PUBLIC SERVICE DISTRICT

## NOTICE OF NAME CHANGE

By a Recommended Decision issued September 5, 2003 (Final Commission Order, September 25, 2003) the Commission approved the transfer of the North Putnam Public Service District's public utility system to the South Putnam Public Service District.

On April 28, 2006 the South Putnam Public Service District filed a "Petition to Reopen" requesting approval to change the name of the district to "Putnam Public Service District."

According to *West Virginia Code* § 16-13A-4(f) a name change as requested by South Putnam requires the approval of the West Virginia Public Service Commission and the written consent of any existing holders of bonds or notes issued by South Putnam.

By a Commission Order entered June 7, 2006 the Commission granted its approval of the name change and further ordered South Putnam to provide notice to its customers upon receiving the written consent of its bond and note holders. Such approval was received.

Accordingly, please note that the new name of the South Putnam Public Service District shall be: "Putnam Public Service District."

PUTNAM PUBLIC SERVICE DISTRICT



Public Service Commission
of West Virginia
Charleston

4-25-06

EXHIBIT NO. 1
Page 1 of 2

BEFORE THE COUNTY COMMISSION OF PUTNAM COUNTY

RE: SOUTH PUTNAM PUBLIC SERVICE DISTRICT
West Virginia Code §16-13A-4(f)
Request for Official Name Change

ORDER

On the 25th day of April, 2006, came South Putnam Public Service District and filed a request, pursuant to *West Virginia Code* §16-13A-4(f), for an official name change of South Putnam Public Service District to Putnam Public Service District.

*West Virginia Code* §16-13A-4(f) provides that any such name change shall not take effect until approved by the Public Service Commission of West Virginia and the written consent of the owners of any bonds or notes issued by the District.

IT IS THEREFORE ORDERED that, pursuant to *West Virginia Code* §16-13A-4(f), the official name of South Putnam Public Service District shall be changed to Putnam Public Service District effective upon approval of the Public Service Commission of West Virginia and the written consent of the owners of any bonds or notes issued by the District.

ENTERED into the permanent record of Putnam County, West Virginia, this 25th day of April, 2006.

James H. Caruthers, Jr., President

Stephen Andes, Commissioner

R. Joseph Raynes, Commissioner

ATTEST:

CLERK

10.16.03

030536ALJ101603.wpd

# PUBLIC SERVICE COMMISSION OF WEST VIRGINIA CHARLESTON

03-YY

ORIGINAL

11-5-03

**Entered: October 16, 2003.**

CASE NO. 03-0536-PSWD-PC

PUTNAM COUNTY COMMISSION.
Petition for consent and approval to expand the boundaries of South Putnam Public Service District and to dissolve North Putnam Public Service District, and for rescission of the March 4, 1993 County Commission Order.

## RECOMMENDED DECISION

## PROCEDURE

On April 29, 2003, the Putnam County Commission (PCC), filed a petition with the Public Service Commission pursuant to *West Virginia Code* §16-13A-2 seeking approval of an Order of the PCC, entered on or about April 22, 2003, to expand the boundaries of South Putnam Public Service District (SPPSD), to dissolve North Putnam Public Service District (NPPSD) and to rescind, in part, a March 4, 1993 County Commission Order.

On May 20, 2003, Staff Attorney Ronald E. Robertson, Jr., Esquire, filed an Initial Joint Staff Memorandum, attaching the May 7, 2003 Initial Internal Memorandum from Utilities Analyst Supervisor William A. Nelson, Water and Wastewater Division, indicating that, once it had completed its investigation of the petition, Commission Staff would render a recommendation.

On June 2, 2003, the Commission entered the Commission Referral Order, referring this case to the ALJ Division for decision on or before November 6, 2003.

Responding to all of the above, on July 29, 2003, the Administrative Law Judge (ALJ) issued a Procedural Order establishing a procedural schedule to process and resolve this matter, including a Monday, August 18, 2003 hearing date. The Order required the PCC to publish a Notice of Hearing once a week for two consecutive weeks in a newspaper duly qualified by the Secretary of State, published and generally circulated in Putnam County and to notify the two affected public service districts by United States Certified Mail.

The ALJ convened the August 18, 2003 hearing as scheduled. The transcript of the August 18, 2003 hearing will be designated "Tr., Vol. I". No one appeared at the hearing to protest the

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

proposed action. However, the ALJ learned at the hearing that, although the PCC properly notified the two affected public service districts, as evidenced by two United States Certified Mail Domestic Return Receipt cards presented by the PCC, the PCC published the Notice of Hearing only in *The Charleston Gazette*, which is not a newspaper "duly qualified by the Secretary of State, published and generally circulated in Putnam County". The newspapers qualified by the Secretary of State for publishing legal advertisements to give notice in Putnam County are *The Hurricane Breeze* and *The Putnam Democrat*.

Responding to all of the above, on August 20, 2003, the ALJ issued an Order Adopting New Procedural Schedule, including a September 19, 2003 hearing date and requiring PCC to publish the Notice of Hearing in at least one of the newspapers qualified by the Secretary of State for publishing legal advertisements in Putnam County, i.e., *The Hurricane Breeze* and *The Putnam Democrat*.

On September 19, 2003, the ALJ convened the second hearing as scheduled. The transcript of the September 19, 2003 hearing will be designated "Tr., Vol. II". Commission Staff appeared by counsel, Staff Attorney Robertson, and the PCC, which did not make a formal appearance by counsel, appeared by its County Administrator. Again, no one appeared to protest the petition.

The only evidence presented was documentary, with Staff presenting two exhibits and the PCC submitting two exhibits.

## EVIDENCE

The parties stipulated to the documentary evidence.

The ALJ received the August 11, 2003 Final Joint Staff Memorandum, attaching the August 5, 2003 Final Internal Memorandum from Utilities Analyst Supervisor William A. Nelson, Water and Wastewater Division, in evidence as Staff Exhibit No. 1. Commission Staff recommended that the Commission approve the petition. (See, Tr., Vol. I, generally).

The ALJ received a publication affidavit indicating that the County Commission had published the Notice of Hearing for the August 18, 2003 hearing, on August 5 and 12, 2003, in *The Charleston Gazette*, in evidence as Staff Exhibit No. 2. (See, Tr., Vol. I, generally).

The ALJ received two United States Certified Mail Domestic Return Receipt green cards into evidence as County Commission Exhibit No. 1. (See, Tr., Vol. I, generally).

The ALJ received two publication affidavits indicating that the County Commission had published the Notice of Hearing, for the September 19, 2003 hearing, on August 28 and September 4, 2003, in *The Hurricane Breeze*, a newspaper published and generally circulated in Putnam County. (See, Tr., Vol. II, generally).

Staff Attorney Robertson noted on the record that, on September 5, 2003, a Recommended Decision had been entered in Case No. 03-1042-PSWD-PC, *South Putnam Public Service District and North Putnam Public Service District*, wherein the South Putnam Public Service District was authorized to acquire the North Putnam Public Service District. (See, Tr., Vol. II, generally).

The September 5, 2003 Recommended Decision, final on September 25, 2003, included the following ordering paragraphs:

> IT IS, THEREFORE, ORDERED that the joint petition filed herein on July 9, 2003, by South Putnam Public Service District and North Putnam Public Service District seeking Commission consent and approval for the transfer of North Putnam Public Service District's public utility system to South Putnam Public Service District be, and hereby is, approved.
>
> IT IS FURTHER ORDERED that the approval hereby granted is contingent upon North Putnam Public Service District and South Putnam Public Service District obtaining the approval of North Putnam Public Service District's three (3) bondholders, namely the Rural Utilities Service, the West Virginia Water Development Authority and City National Bank, and filing copies of said approval(s) herein immediately upon receipt.
>
> IT IS FURTHER ORDERED that the approval hereby granted is further contingent upon South Putnam Public Service District filing with the Commission's Tariff Office within thirty (30) days of the date that this Order becomes final, an appropriate tariff adopting the rates and charges now in effect for North Putnam Public Service District's customers.

## DISCUSSION

Having considered all of the above, the ALJ holds that he will grant the April 29, 2003 petition, filed with the Commission pursuant to *West Virginia Code* §16-13A-2, seeking approval of an Order of the PCC, entered on or about April 22, 2003, to expand the boundaries of South Putnam Public Service District, to dissolve North Putnam Public Service District and to rescind, in part, a March 4, 1993 County Commission Order. This approval is contingent upon each of the affected public service districts obtaining the approval of their respective bondholders and filing copies of said approvals immediately upon receipt.

## FINDINGS OF FACT

1. The Putnam County Commission filed a petition with the Public Service Commission under *West Virginia Code* §16-13A-2 seeking approval of an Order of the PCC, entered on or about April 22, 2003, to expand the boundaries of South Putnam Public Service District, to dissolve North

Putnam Public Service District and to rescind, in part, a March 4, 1993 County Commission Order. (See, April 29, 2003 petition).

2. Commission Staff has recommended approving the petition. (See, Staff Exhibit No. 1).

3. The County Commission properly published the Notice of Hearing for the September 19, 2003 hearing, and no one appeared at the hearing to protest to petition. (See, Tr., Vols., I and II, generally; County Commission Exhibit No. 1).

4. A recommended decision has been entered in Case No. 03-1042-PSWD-PC, *South Putnam Public Service District and North Putnam Public Service District*, wherein the South Putnam Public Service District was authorized to acquire the North Putnam Public Service District. (See, Tr., Vol. II, generally; Recommended Decision, entered September 5, 2003, final September 25, 2003).

## CONCLUSIONS OF LAW

1. For all of the reasons set forth in Finding of Fact Nos. 2 and 3, it is reasonable to grant the petition.

2. It is reasonable to condition the approval contingent upon each of the affected public service districts obtaining the approval of their respective bondholders and filing copies of said approvals immediately upon receipt.

## ORDER

IT IS, THEREFORE, ORDERED that the Order of the Putnam County Commission, entered on or about April 22, 2003, expanding the boundaries of South Putnam Public Service District, dissolving North Putnam Public Service District and rescinding, in part, a March 4, 1993 County Commission Order, be, and hereby is, approved.

IT IS FURTHER ORDERED that the approval hereby granted is contingent upon each of the affected public service districts obtaining the approval of their respective bondholders and filing copies of said approvals immediately upon receipt.

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

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



PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

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

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

Ronnie Z. McCann
Deputy Chief Administrative Law Judge

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

ORIGINAL

EF
03 03-RR

Entered: September 5, 2003

CASE NO. 03-1042-PSWD-PC

FINAL
9.25.03

SOUTH PUTNAM PUBLIC SERVICE DISTRICT
and NORTH PUTNAM PUBLIC SERVICE DISTRICT
Joint petition for consent and approval for the sale of North Putnam Public Service District's utility system to South Putnam Public Service District.

RECOMMENDED DECISION

On July 9, 2003, the South Putnam Public Service District (South Putnam) and the North Putnam Public Service District (North Putnam) filed a joint petition seeking Commission consent and approval for the transfer of North Putnam's public utility system (utility system) to South Putnam. In support of the joint petition, South Putnam and North Putnam stated:

> (1) The proposed transfer of the North Putnam utility system to South Putnam will be conducive to the preservation of the public health, comfort and convenience of Putnam County;
>
> (2) Pursuant to an Operation and Maintenance Agreement (O&M Agreement) previously entered into between the Petitioners and approved by the Commission in Case No. 00-1134-PSWD-PC (November 14, 2000), South Putnam has been operating and maintaining the utility system of North Putnam;
>
> (3) In the O&M Agreement, North Putnam granted unto South Putnam the exclusive right and option to purchase North Putnam's existing public utility system for the consideration of One Dollar ($1.00), and the complete assumption of any outstanding indebtedness owed by North Putnam to the Rural Utilities Service (RUS), West Virginia Water Development Authority (WDA) and City National Bank;

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

(4) South Putnam has been working with the U.S. Army Corps of Engineers in developing a sewer upgrade project for the area currently served by the sewer facilities of North Putnam Public Service District. The Corps of Engineers, which is providing grant monies for the sewer upgrade project, has notified South Putnam that, before the proposed project can move forward, South Putnam will need to acquire the facilities of North Putnam. Therefore, South Putnam wishes to exercise its option to purchase North Putnam's public utility assets pursuant to the O&M Agreement;

(5) The Putnam County Commission has adopted a Resolution proposing (1) the expansion of South Putnam's territory to include the entire territory in Putnam County located north of the Kanawha River and not contained within the boundaries of any municipal or private utility, which area contains the operating territory of North Putnam Public Service District; (2) the dissolution of North Putnam Public Service District; and (3) the rescission of a portion of a March 4, 1993 County Commission Order insofar as it purported to merge Putnam Union Public Service District and North Putnam Public Service District and create a new North Putnam Public Service District. Pursuant to the requirements of West Virginia Code §16-13A-2, the County Commission has filed the appropriate documents with the Public Service Commission seeking its approval of the County Commission's actions. See, Case No. 03-0536-PSWD-PC;

(6) On August 3, 2000, the Board of North Putnam held a hearing pursuant to the requirements of West Virginia Code §16-13A-18a. Following the hearing, at which no member of the public appeared, North Putnam Public Service District unanimously approved the transfer of that district's assets to South Putnam Public Service District. A copy of the minutes of the August 3, 2000 meeting is attached to the joint petition as Exhibit 1. A copy of the affidavit of publication notifying the public of the hearing to be held on August 3, 2000, is attached as Exhibit 2. A copy of the resolution of the Board of North Putnam authorizing the Board to undertake all actions necessary to effectuate the transfer of its



PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

system to South Putnam is attached to the petition as Exhibit 3;

(7) On July 8, 2003, the County Commission of Putnam County, West Virginia, unanimously passed a resolution approving the action of North Putnam in seeking to transfer its system to South Putnam, subject to the approval of the Public Service Commission and subject to the further approval of North Putnam's bondholders. A copy of the resolution of the County Commission is attached to the petition as Exhibit 4; and

(8) In order for South Putnam to obtain the necessary funds for the construction of needed sewer facilities in the territory of North Putnam, it is necessary that South Putnam have ownership of North Putnam's current utility assets.

On July 10, 2003, counsel for the Petitioners filed original Verifications for the joint petition filed herein on July 9, 2003.

On August 12, 2003, Staff Attorney Ronald E. Robertson, Jr., filed an Initial and Final Joint Staff Memorandum. An Initial and Final Internal Memorandum dated August 5, 2003, from William A. Nelson, Utilities Analyst Supervisor, Water and Wastewater Division, and Jonathan Fowler, P.E., Engineer I, Engineering Division, was attached thereto. Commission Staff stated that, based upon its review of the petition and exhibits attached thereto, South Putnam and North Putnam had met the requirements of West Virginia Code §16-13A-18a, regarding the sale of North Putnam's utility system to South Putnam. Commission Staff, after noting the Putnam County Commission's pending Case No. 03-0536-PSWD-PC, seeking Commission approval, in part, to dissolve North Putnam and expand South Putnam's boundaries to encompass the current service area of North Putnam, stated that the sale of North Putnam's utility system had to be approved and finalized prior to the dissolution actually occurring.[1] Commission Staff went on to note that approval of the sale of North

[1]Commission Staff noted that it intended to file its final recommendation in the dissolution case concurrently with the filing of its final recommendation in this proceeding, which would allow final orders to be issued on or about the same date in both cases. However, since a hearing scheduled for September 19, 2003, must be held in Case No. 03-0536-PSWD-PC regarding the dissolution of North Putnam, Commission Staff was of the opinion that it was likely that the acquisition of North Putnam's utility system by South Putnam would be approved first, with approval of North Putnam's dissolution to follow some time thereafter.



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OF WEST VIRGINIA
CHARLESTON

Putnam's utility system to South Putnam had to be made subject to obtaining bondholder approval. Thus, RUS, WDA and City National Bank had to give their consent to the proposed sale. Accordingly, Commission Staff requested that copies of the consents to the proposed sale executed by RUS, WDA and City National Bank be filed in this proceeding when received. In addition, it was noted that the proposed acquisition of North Putnam's utility system by South Putnam will require South Putnam to adopt and maintain the current North Putnam rates and charges in accordance with Rule 14.1[2] of the Commission's Rules for the Construction and Filing of Tariffs (Tariff Rules). Commission Staff noted that it would typically recommend that the purchasing utility file for a rate review approximately eighteen (18) months following acquisition. However, South Putnam has a sewer rate case, Case No. 03-1041-PSD-42T, currently pending before the Commission which addresses both its rates and those to be charged to the North Putnam customers. Commission Staff stated that it had no problem with the North Putnam rates being reviewed as part of that proceeding, but the proposed sale sub judice had to be approved and South Putnam had to adopt the current North Putnam rates pending the outcome of the rate review in Case No. 03-1041-PSD-42T. Accordingly, Commission Staff recommended approval of the joint petition filed herein, contingent upon North Putnam obtaining bondholder approval and South Putnam adopting and maintaining the current North Putnam rates and charges. Commission Staff also recommended that this matter be retained by the Commission itself in order to expedite its processing.

By Order dated August 28, 2003, the Commission referred this matter to the Division of Administrative Law Judges for further disposition, with a decision due date of September 25, 2003.

## FINDINGS OF FACT

1. On July 9, 2003, the South Putnam Public Service District and the North Putnam Public Service District filed a joint petition seeking Commission consent and approval for the transfer of North Putnam's public utility system to South Putnam. (See, July 9, 2003 filing).

---

[2]Tariff Rule 14.1 states:

> In case of change of ownership or control of a utility, or, when a utility or a part of its business is transferred from the operating control of one company to that of another, or, when its name is changed, the company, which will thereafter operate the utility business, must use the rates, classifications and rules and regulations of the former operating company (unless authorized to change by the Commission).



PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

2. South Putnam has been operating and maintaining the North Putnam system since the Commission approved the O&M Agreement between the two districts in Case No. 00-1134-PSWD-PC (November 14, 2000). South Putnam also holds the exclusive right and option to purchase the North Putnam system. (See, petition filed July 9, 2003).

3. South Putnam has been working with the U.S. Army Corps of Engineers to develop a sewer upgrade project for the North Putnam area, but, before the project can move forward, South Putnam must acquire the North Putnam facilities. (See, petition filed July 9, 2003).

4. Commission Staff recommended that the joint petition be approved, contingent upon obtaining the approval of North Putnam's three (3) bondholders and South Putnam adopting and maintaining North Putnam's current rates and charges until further order of the Commission. (See, Initial and Final Joint Staff Memorandum and attachment filed August 12, 2003).

## CONCLUSION OF LAW

Upon consideration of all of the above, the undersigned Administrative Law Judge is of the opinion that the joint petition filed herein on July 9, 2003, by South Putnam Public Service District and North Putnam Public Service District, seeking Commission consent and approval for the transfer of North Putnam's public utility system to South Putnam, should be approved, contingent upon North Putnam and South Putnam obtaining the approval of North Putnam's three (3) bondholders, namely the Rural Utilities Service, the West Virginia Water Development Authority and City National Bank, and further contingent upon South Putnam filing an appropriate revised tariff with the Commission's Tariff Office adopting and maintaining the current North Putnam rates and charges for the former North Putnam customers, pending the outcome of the rate review in Case No. 03-1041-PSD-42T.

## ORDER

IT IS, THEREFORE, ORDERED that the joint petition filed herein on July 9, 2003, by South Putnam Public Service District and North Putnam Public Service District seeking Commission consent and approval for the transfer of North Putnam Public Service District's public utility system to South Putnam Public Service District be, and hereby is, approved.

IT IS FURTHER ORDERED that the approval hereby granted is contingent upon North Putnam Public Service District and South Putnam Public Service District obtaining the approval of North Putnam Public Service District's three (3) bondholders, namely the Rural Utilities Service, the West



PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Virginia Water Development Authority and City National Bank, and filing copies of said approval(s) herein immediately upon receipt.

IT IS FURTHER ORDERED that the approval hereby granted is further contingent upon South Putnam Public Service District filing with the Commission's Tariff Office within thirty (30) days of the date that this Order becomes final, an appropriate tariff adopting the rates and charges now in effect for North Putnam Public Service District's customers.

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

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

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

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

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

Melissa K. Marland
Chief Administrative Law Judge

MKM/JPC:pst
031042a.wpd



PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

8-3-00

# NORTH PUTNAM PUBLIC SERVICE DISTRICT

POST OFFICE BOX 59
BANCROFT, WV 25011

Patti Babcock, Secretary/Treasurer
Gary Sigman, Chairperson

North Putnam Public Service District
Special Meeting
August 3, 2000
**MINUTES**

MEMBERS PRESENT: Gary Sigman, Brent Null, Patti Babcock
STAFF PRESENT: Fred Stottlemeyer
GUESTS PRESENT: Robert Rodecker

This special meeting constituted a public hearing to take comments on the proposed acquisition/sale of North Putnam PSD to South Putnam PSD. There was no public person who attended this meeting.

Brent Null motioned the best interest of the public would be served by transferring the assets of this District(NPPSD) to the South Putnam PSD and to file the appropriate documents with the Putnam County Commission and the Public Service Commission to carry out the sale of this system. Patti second and the decision was unanimous.

Fred Stottlemeyer took this opportunity to report the following:

1] Number 3 station has only one pump operational. A safety ladder has been installed inside this station.

2] The Treatment Plant was broken into on July 30th. Mostly tools were taken and entry was gained via a broken window.

3] The 8 inches of rain during the month of July produced flows in excess of 500,000 gallons. Route 62 is the area suspected of infiltration and next week this area will be addressed.

4] One manhole on Drew Street has no mastic. This will be corrected.

5] Clarifying tanks will be taken down beginning with Number 1 on August 21 to inspect, clean and make piping changes. Number 2 will be following for the same inspection and repair. Diffusers for these tanks were one of the items stolen. Replacements will be ordered immediately.

6] Putnam County Commission has indicated they will supply $31,500.00 to match monies offered by the Governor's office for the collapsed line repair.

7] At our request, contractor Clyde Raynes has submitted an invoice for $55,596.65 for work done to date. North Putnam has expended $55,644.97 to date on repair cost. Patti reported digesting cost on this date with only $10,000.00 of invoices remaining from this project, all aged less than 30 days.

8] Plans for Cherokee Estates were discussed. Meetings with the developers have caused changes and these changes were discussed and approved on motion by Brent Null.

There being no further business, the meeting adjourned at 7:58 p.m.

Respectfully Submitted,

Gary Sigman, Chairperson

Patricia Babcock, Secretary

Brent Null, Treasurer

7-8-03

PUTNAM COUNTY COMMISSION

RESOLUTION

WHEREAS, the North Putnam Public Service District is authorized to provide water and sewer service as a public utility in parts of Putnam County, West Virginia, on the North side of the Kanawha River;

WHEREAS, the South Putnam Public Service District is authorized to provide water and sewer service as a public utility in parts of Putnam County, West Virginia, on the South side of the Kanawha River;

WHEREAS, the South Putnam Public Service District has the manpower and expertise to operate and manage the affairs of the North Putnam Public Service District;

WHEREAS, the Board of the North Putnam Public Service District has, after hearing held August 3, 2000, unanimously approved the transfer of the North Putnam Public Service District to the South Putnam Public Service District; and

WHEREAS, the County Commission of Putnam County deems it to be in the best interests of the citizens of Putnam County for North Putnam Public Service District to transfer its assets to South Putnam Public Service District subject to the approval of the Public Service Commission of West Virginia and subject further to the approval of bondholders.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY COMMISSION OF PUTNAM COUNTY, WEST VIRGINIA:

The Board of North Putnam Public Service District, is authorized to undertake all actions necessary to transfer the assets of the North Putnam Public Service District, subject to the approval of the Public Service Commission of West Virginia as provided in West Virginia Code §16-13A-18a, and subject to the further approval of bondholders.

Adopted this 8 day of July, 2003.

President

Commissioner

Commissioner

5·5·03

BEFORE THE COUNTY COMMISSION OF PUTNAM COUNTY

A RESOLUTION AND ORDER PROPOSING THE EXPANSION OF THE TERRITORY OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT, THE DISSOLUTION OF NORTH PUTNAM PUBLIC SERVICE DISTRICT, AND THE RESCISSION OF AN ORDER OF THE COUNTY COMMISSION DATED MARCH 4, 1993 IN PART

## AFFIDAVIT OF POSTING

STATE OF WEST VIRGINIA,

COUNTY OF PUTNAM, to-wit:

I, Jason E. Henderson, Assistant Manager of Sanitary Sewer Development for South Putnam Public Service District, duly sworn, state as follows:

1. Pursuant to West Virginia Code §16-13A-2, the County Commission of Putnam County adopted a Resolution and Order on March 25, 2003, proposing (1) the expansion of the boundaries of South Putnam Public Service District to include the entire territory of Putnam County, West Virginia, located north of the Kanawha River which is not currently contained within the boundaries of any municipal or private utility, or served by such municipal or private utility, for the provision of sewer service; (2) the dissolution of North Putnam Public Service District upon the expansion of the boundaries of South Putnam Public Service District as proposed; and (3) the rescinding of the March 14, 1993 Order of the County Commission insofar as it purported to merge

Putnam Union Public Service District and North Putnam Public Service Districts and create a new North Putnam Public Service District.

2. The Putnam County Commission scheduled a hearing to be held on April 22, 2003, at 10:00 a.m. at the Putnam County Courthouse, Winfield, West Virginia, to consider said Resolution and Order; and,

3. Pursuant to West Virginia Code §16-13A-2, the attached Public Notice of Hearing was posted in five (5) conspicuous places throughout each of the territories of South Putnam Public Service District and North Putnam Public Service District; and,

4. Said posting occurred beginning April 11, 2003 (more than ten (10) days prior to the April 22, 2003 hearing) and continuing through at least April 22, 2003, the day of the hearing.

Further affiant sayeth naught.

Taken, subscribed and sworn to before the undersigned by Jason E. Henderson on in his capacity as Assistant Manager of Sanitary Sewer Development for South Putnam Public Service District, on this 5th day of May, 2003.

My commission expires Feb 7, 2006.

NOTARY PUBLIC

Challis K. Rials

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
CHALLIS K. RIALS
P O Box 554
Winfield, WV 25213
My Commission Expires February 7, 2006

4-22-03

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W VA PUBLIC SERVICE SECRETARY'S OFFICE

BEFORE THE COUNTY COMMISSION OF PUTNAM COUNTY

A RESOLUTION AND ORDER EXPANDING THE TERRITORY OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT, DISSOLVING NORTH PUTNAM PUBLIC SERVICE DISTRICT AND RESCINDING AN ORDER OF THE COUNTY COMMISSION DATED MARCH 4, 1993 IN PART.

WHEREAS, the County Commission of Putnam County, West Virginia, did heretofore, by Resolution and Order adopted on MARCH 25, 2003, propose the expansion of the territory of South Putnam Public Service District, the dissolution of North Putnam Public Service District, and the partial rescission of a prior order of the County Commission which called for the creation of a new North Putnam Public Service District; and,

WHEREAS, by said MARCH 25, 2003 Resolution and Order, the County Commission did set a hearing on the proposed expansion of South Putnam Public Service District's territory for the provision of sewer service, the dissolution of North Putnam Public Service District, and the partial rescission of the March 4, 1993 Order of the County Commission for the 22ND day of APRIL, 2003, required notice of said hearing be given by Class I legal publication and by posting of notice in at least five (5) conspicuous places within the territories of each of the public service districts, and required the Clerk of the County Commission to cause a copy of the Resolution and Order to be filed with the Executive Secretary of the Public Service Commission; and,

WHEREAS, notice of the APRIL 22, 2003 hearing has been given in the manner provided and required by said Resolution and Order and by West Virginia Code §16-13A-2 and all interested parties have been offered an opportunity of being heard for and against the expansion of the territory of South Putnam Public Service District, the dissolution of North Putnam Public Service District, and the partial rescission of the March 4, 1993 Order of the County Commission, and said County Commission has given due consideration to all matters for which such hearing was offered; and,

WHEREAS, it is now deemed desirous by said County Commission to adopt a Resolution and Order expanding the territory of South Putnam Public Service District for the provision of sewer service, dissolving North Putnam Public Service District, and rescinding in part the March 4, 1993 Order of the County Commission.

NOW, THEREFORE, BE IT, AND IT IS, HEREBY, RESOLVED AND ORDERED by the County Commission of Putnam County as follows:

1. That the County Commission of Putnam County, West Virginia, upon its own motion, subject to the approval of the Public Service Commission of West Virginia, and subject further to the agreement of bondholders of the two Districts, finds that it would be conducive to the public health, comfort and

convenience of Putnam County to expand the territory of South Putnam Public Service District and to dissolve North Putnam Public Service District.

2. That the boundaries of South Putnam Public Service District shall be expanded to include the entire territory of Putnam County, West Virginia, located north of the Kanawha River which is not currently contained within the boundaries of any municipal or private utility, or served by such municipal or private utility, for the provision of sewer service.

3. That, in order to eliminate any confusion that may have existed by virtue of the prior actions of this County Commission, the March 4, 1993 Order of the County Commission is hereby rescinded insofar as it attempted to bring about the merger and consolidation of Putnam Union Public Service Districts and the creation of a new North Putnam Public Service District.

4. That the Clerk of the County Commission shall cause a copy of this Resolution and Order to be filed with the Executive Secretary of the Public Service Commission not later than ten(10) days following the adoption hereof.

ENTERED into the permanent record of Putnam County, West Virginia, this 22ND day of APRIL, 2003.

PRESIDENT

COMMISSIONER

COMMISSIONER

ATTEST:

CLERK

BOOK 076 PAGE 896

4.12.03

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BOOK 076 PAGE 897

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AFFIDAVIT OF PUBLICATION

State of West Virginia,

I, Sandra Depp of

THE DAILY MAIL, A DAILY REPUBLICAN NEWSPAPER,
published in the city of Charleston, Kanawha County, West Virginia, do solemnly swear that the annexed notice of:
EXPANSION
was duly published in said paper(s) during the dates listed below, and was posted at the front door of the court house of said Kanawha Coun
West Virginia, on the 14TH day of APRIL 2003. Published during the following dates: 04/12/03-04/12/03
Subscribed and sworn to before me this 15 day of April
Printers fee $ 242.56

Notary Public of Kanawha County, West Virginia

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
LYNN R. FIELDER
252 FRAZIER WAY
SCOTT DEPOT, WV 25560
My commission expires December 11, 2008

LEGAL ADVERTISEMENT

BEFORE THE COUNTY COMMISSION OF PUTNAM COUNTY

A RESOLUTION AND ORDER PROPOSING THE EXPANSION OF THE TERRITORY OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT, THE DISSOLUTION OF NORTH PUTNAM PUBLIC SERVICE DISTRICT AND THE RESCISSION OF AN ORDER OF THE COUNTY COMMISSION DATED MARCH 4, 1993 IN PART

WHEREAS, West Virginia Code §16-13A-2 provides that a County Commission may expand or reduce the territory of public service districts in order to achieve efficiency of operations; and

WHEREAS, West Virginia Code §16-13A-2 provides that a County Commission may dissolve a public service district if it is found to be inactive; and

WHEREAS, South Putnam Public Service District currently has authority to provide water and sewer service in parts of Putnam County and has been operating North Putnam Public Service District pursuant to an Operation and Maintenance Agreement; and

WHEREAS, South Putnam Public Service District proposes to acquire the public utility assets of North Putnam Public Service District and operate such facilities as a part of the South Putnam Public Service District; and

WHEREAS, with the acquisition of North Putnam Public Service District's assets and the takeover of its sewer operations, North Putnam will become inactive; and

WHEREAS, the records of the County Commission reveal that on March 4, 1993, the County Commission adopted a prior plan to merge Putnam Union Public Service District and create a new North Putnam Public Service District but that plan was not carried out due to numerous reasons; and

WHEREAS, it is now deemed desirous by said County Commission to expand the boundaries of South Putnam Public Service District to include the entire territory of North Putnam Public Service District for the provision of sewer service and it is deemed desirous to dissolve North Putnam Public Service District and to eliminate any confusion that may exist as to the prior plan to merge Putnam Union Public Service District with North Putnam Public Service District and create a new North Putnam Public Service District by rescinding such prior order [illegible]

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED AND ORDERED by the County Commission of Putnam County as follows:

1. That the County Commission of Putnam County, West Virginia, upon its own motion, proposes the expansion of the boundaries of South Putnam Public Service District to include the entire territory of Putnam County, West Virginia located north of the Kanawha River which is not currently contained within the boundaries of any municipal or private utility or served by such municipal or private utility for the provision of sewer service.

2. That upon the expansion of the Boundaries of South Putnam Public Service District as provided for herein, the North Putnam Public Service District be dissolved.

3. That in order to eliminate any possible confusion with prior orders of the County Commission, the Order of the County Commission entered on March 4, 1993 be rescinded insofar as it purported to merge Putnam Union Public Service District and North Putnam Public Service Districts and create a new North Putnam Public Service District.

4. That the County Commission of Putnam County, West Virginia, shall hold a hearing on the proposed expansion of the boundaries of South Putnam Public Service District and the dissolution of North Putnam Public Service District on April 22, 2003 in the Putnam County Courthouse in Winfield at 10:00 a.m.

5. That the Clerk of the County Commission shall cause notice of hearing and a description of all of the territory proposed to be include— in the territory of South Putnam Public Service District to be published as a Class I legal advertisement at least ten (10) days prior to the hearing.

6. That the County Commission of Putnam County shall post the notice of the hearing and the proposed expansion of the boundaries of South Putnam Public Service District and the proposed dissolution of North Putnam Public Service District in at least five conspicuous places within the territory of both South Putnam Public Service District and North Putnam Public Service District.

7. That the Clerk of the County Commission shall cause a copy of this Resolution and Order to be filed with the Executive Secretary of the Public Service Commission not less than ten (10) days prior to the hearing set forth herein.

ENTERED into the permanent record of Putnam County, West Virginia, this 25th day of March, 2003.

Attest:
Michael W. Elliott
Clerk

(012917)

STATE OF WEST VIRGINIA, PUTNAM COUNTY CLERK'S OFFICE

I, Michael W. Elliott, Clerk of Putnam County Commission do hereby certify that this foregoing is a true and correct copy and transcript from the record of my office.

Given under my hand and seal of said commission.

at Winfield, West Virginia, this the 28th day of April 2003

MICHAEL W. ELLIOTT, CLERK, PUTNAM COUNTY COMMISSION

By Regina Hull Deputy

BOOK 076 PAGE 898

LEGAL ADVERTISEMENT

BEFORE THE COUNTY COMMISSION OF PUTNAM COUNTY

A RESOLUTION AND ORDER PROPOSING THE EXPANSION OF THE TERRITORY OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT, THE DISSOLUTION OF NORTH PUTNAM PUBLIC SERVICE DISTRICT AND THE RESCISSION OF AN ORDER OF THE COUNTY COMMISSION DATED MARCH 4, 1993 IN PART

WHEREAS, West Virginia Code §16-13A-2 provides that a County Commission may expand or reduce the territory of public service districts in order to achieve efficiency of operations; and

WHEREAS, West Virginia Code §16-13A-2 provides that a County Commission may dissolve a public service district if it is found to be inoperative; and

WHEREAS, South Putnam Public Service District currently has authority to provide water and sewer service in parts of Putnam County and has been operating North Putnam Public Service District pursuant to an Operation and Maintenance Agreement; and

WHEREAS, South Putnam Public Service District proposes to acquire the public utility assets of North Putnam Public Service District and operate such facilities as a part of the South Putnam Public Service District; and

WHEREAS, with the acquisition of North Putnam Public Service District's assets and the takeover of its sewer operations, North Putnam will become inactive; and

WHEREAS, the records of the County Commission reveal that on March 4, 1993, the County Commission adopted a prior plan to merge Putnam Union Public Service District and create a new North Putnam Public Service District but that plan was not carried out due to numerous reasons; and

WHEREAS, it is now deemed desirous by said County Commission to expand the boundaries of South Putnam Public Service District to include the entire territory of North Putnam Public Service District for the provision of sewer service and it is deemed desirous to dissolve North Putnam Public Service District and to eliminate any confusion that may exist as to that prior plan to merge Putnam Union Public Service District with North Putnam Public Service District and create a new North Putnam Public Service District by rescinding such prior order; and

NOW THEREFORE BE IT AND IT IS HEREBY RESOLVED AND/OR ORDERED by the County Commission of Putnam County as follows:

1. That the County Commission of Putnam County, West Virginia upon its own motion proposes the expansion of the boundaries of South Putnam Public Service District to include the entire territory of Putnam County, West Virginia located north of the Kanawha River which is not currently contained within the boundaries of any municipal or private utility or served by such municipal or private utility for the provision of sewer service;

2. That upon the expansion of the Boundaries of South Putnam Public Service District as provided for herein, the North Putnam Public Service District be dissolved;

3. That in order to eliminate any possible confusion with prior orders of the County Commission, the Order of the County Commission entered on March 4, 1993 be rescinded insofar as it purported to merge Putnam Union Public Service District and North Putnam Public Service Districts and creating a new North Putnam Public Service District.

4. That the County Commission of Putnam County, West Virginia shall hold a hearing on the proposed expansion of the boundaries of South Putnam Public Service District and the dissolution of North Putnam Public Service District on April 22, 2003 in the Putnam County Courthouse in Winfield at 10:00 a.m.

5. That the Clerk of the County Commission shall cause notice of hearing and a description of all of the territory proposed to be included in the territory of South Putnam Public Service District to be published as a Class I legal advertisement at least ten (10) days prior to the hearing.

6. That the County Commission of Putnam County shall post the notice of the hearing and the proposed expansion of the boundaries of South Putnam Public Service District and the proposed dissolution of North Putnam Public Service District in at least five conspicuous places within the territory of both South Putnam Public Service District and North Putnam Public Service District.

7. That the Clerk of the County Commission shall cause a copy of this Resolution and Order to be filed with the Executive Secretary of the Public Service Commission not less than ten (10) days prior to the hearing herein.

ENTERED into the permanent record of Putnam County, West Virginia, this 28th day of March, 2003.

Attest:
Michael W. Elliott
Clerk

(042317)

STATE OF WEST VIRGINIA, PUTNAM COUNTY CLERK'S OFFICE
I, Michael W. Elliott, Clerk of Putnam County Commission do hereby certify that this foregoing is a true and correct copy and transcript from the record of my office.
Given under my hand and seal of said commission.

at Winfield, West Virginia, this the 28th day of April 2003
MICHAEL W. ELLIOTT, CLERK, PUTNAM COUNTY COMMISSION
By Regina Hall Deputy

BOOK 076 PAGE 898

7-27-00

LEGAL NOTICE

NORTH PUTNAM
PUBLIC SERVICE DISTRICT
NOTICE OF HEARING

The Public Service Board of North Putnam Public Service District will hold a hearing on Thursday, August 3, 2000, at 7:00 p.m., at Town Hall, Buncroft, West Virginia, for the purpose of taking public comments and objections, if any, relating to the proposed transfer of North Putnam Public Service District's utility rights and assets to South Putnam Public Service District.

The Board will, following the receipt of comments and objections, vote on whether or not to proceed with the transfer of its utility rights and assets to South Putnam Public Service District.

This hearing is open to the press and the public and any person interested may appear at such hearing to protect their interest.

NORTH PUTNAM PUBLIC
SERVICE DISTRICT

It 7-27

AFFIDAVIT OF PUBLICATION

Cost of Publication $14.56

State of West Virginia, County of Putnam, to wit:

I, Phyllis Robinson, being first sworn upon my oath, do depose and say that I am Publisher of the newspaper entitled THE PUTNAM DEMOCRAT, a Democratic newspaper; that I have been duly authorized to execute all affidavits of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published weekly on Thursday, for at least fifty weeks during the calendar year, in Winfield, Putnam County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, that the annexed

notice of Notice of Hearing

North Putnam Public Service District

Transfer of Utility Rights and Assets

to South Putnam Public Service District

was duly published in said newspaper once a week for 1 (successive) week(s), commencing with the issue of the 27th day of July 20 00, and ending with issue of the _____ day of _____ 20_____, (and was posted, if required, at the _____ on the _____ day of _____, 20_____).

/s/ Phyllis Robinson
Phyllis Robinson, Publisher
The Putnam Democrat

Taken, subscribed and sworn to before me in my said county this 28th day of July, 20 00.

My commission expires May 4, 2008

/s/ Frederica A. Whitney
Notary Public of Putnam County, West Virginia

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
FREDERICA A. WHITNEY
46 Riverdale Estates
Winfield, WV 25213
My Comm. Expires May 4, 2008

7·11·00

NORTH PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION

WHEREAS, the North Putnam Public Service District is authorized to provide water and sewer service as a public utility in parts of Putnam County, West Virginia, on the North side of the Kanawha River;

WHEREAS, the South Putnam Public Service District is authorized to provide water and sewer service as a public utility in parts of Putnam County, West Virginia, on the South side of the Kanawha River;

WHEREAS, the South Putnam Public Service District has the manpower and expertise to operate and manage the affairs of the North Putnam Public Service District;

WHEREAS, the Boards of the South Putnam Public Service District and the North Putnam Public Service District have had discussions concerning the transfer of the North Putnam Public Service District to the South Putnam Public Service District; and

WHEREAS, the Board of the North Putnam Public Service District deems it to be in the best interests of the citizens of Putnam County for South Putnam Public Service District to acquire the assets of North Putnam Public Service District, and to operate such assets as part of its own system until such time as the acquisition of such assets is approved by the Public Service Commission of West Virginia.

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

1. The Board of North Putnam Public Service District is authorized to undertake all actions necessary to transfer the assets of the North Putnam Public Service District, subject to the approval of the Public Service Commission of West Virginia, and bondholder approvals; and subject further to a determination of the reasonableness of such action upon the rates of the rate payers of South Putnam Public Service District.

2. During the pendency of the approval process, and until such time as the Board of the South Putnam Public Service District has determined that it is in the best interests of the rate payers of South Putnam Public Service District to acquire the assets of North Putnam Public Service District, North Putnam Public Service District is hereby authorized to enter into an agreement whereby South Putnam Public Service District shall operate and maintain the North Putnam Public Service District system.

3. The Chairman of the Board of the North Putnam Public Service District is hereby authorized to execute any documents necessary to carry out the provisions of his Resolution.

Adopted this 11th day of July, 2000.

Chairman

Member

Member

5.1.95

RESOLUTION OF

CITY OF HURRICANE

BE IT RESOLVED by the City Council of the City of Hurricane as follows:

The City of Hurricane hereby consents to the provision of sewerage services by South Putnam Public Service District in the following area within the boundaries of the City of Hurricane:

An area along Route 34 South beginning near the Hurricane Creek bridge and extending along Route 34 to Route 60 and including an area 1,000 feet west along Harbour Lane.

Adopted and effective this 1st day of May, 1995.

Raymond Peak
Mayor

Linda L Gibson
Recorder

## CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Council of the CITY OF HURRICANE on the 1st day of May, 1995, which Resolution has not been repealed, rescinded, modified, amended or revoked, as witness my hand and the seal of the City of Hurricane this 1st day of May, 1995.

[SEAL]

Recorder

04/18/95
SPSJ.O2
847280/94001

RESOLUTION OF

SANITARY BOARD OF CITY OF HURRICANE

BE IT RESOLVED by the Sanitary Board of the City of Hurricane as follows:

The Sanitary Board of the City of Hurricane hereby consents to the provision of sewerage services by South Putnam Public Service District in the following area within the boundaries of the City of Hurricane:

An area along Route 34 South beginning near the Hurricane Creek bridge and extending along Route 34 to Route 60 and including an area 1,000 feet west along Harbour Lane.

Adopted and effective this 1st day of May, 1995.

Raymond Beach

Chairman

## CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Sanitary Board of the CITY OF HURRICANE on the 1st day of May, 1995, which Resolution has not been repealed, rescinded, modified, amended or revoked, as witness my hand this 1st day of May, 1995.

Raymond Cook
Chairman

04/25/95
SPSJ.P3
847280/94001

12-3-81

A RESOLUTION AND ORDER EXPANDING THE BOUNDARIES OF THE SOUTH PUTNAM PUBLIC SERVICE DISTRICT WITHIN PUTNAM COUNTY, WEST VIRGINIA.

WHEREAS, the County Commission of Putnam County, West Virginia, did heretofore by a resolution and order adopted on the 3rd day of December, 1991, fix a date for a public hearing on the expansion of the South Putnam Public Service District, and in and by said resolution and order, provide, that all persons residing in or owning or having any interest in property in the proposed Public Service District might appear before the County Commission at this meeting, and have an opportunity to be heard, for and against the expansion of the said Public Service District; and,

WHEREAS, notice of this hearing was duly given in a manner provided and required by the said resolution and order and by Article 13A, Chapter 16, of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the expansion of the said District, but no written protest has been filed by the requisite number of qualified voters registered and residing within the proposed expanded Public Service District area or the existing boundaries of the South Putnam Public Service District, and said County

Commission has given due consideration to all matters for which such hearing was offered; and,

WHEREAS, it is now deemed desirable by said County Commission to adopt a resolution and order expanding the said District;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED AND ORDERED by the County Commission of Putnam County, as follows:

Section 1.

That the physical, geographical, territorial limits of the South Putnam Public Service District, a public corporation, are hereby enlarged, expanded, and extended to include all of the properties described hereinafter, as follows:

> AN AREA comprising the magisterial districts of Teays Valley, Scott, Curry, and that portion of Buffalo, south of the Kanawha River, including the area known as the Teays Valley Public Service District, but excluding the areas currently known as the Water and/or Sewer Utilities of Record.

Those areas to be excepted from the territorial jurisdiction of the South Putnam Public Service District are described hereinafter as follows:

(1) Lake Washington Public Service District, for water service only, more particularly defined as follows:

Beginning at a point in which the easterly line of Block C intersects the northerly right-of-way of U. S. Route 60, thence, N. 32° 13' W. 305.0 feet, N. 00° 50' W. 176.07 feet, thence N. 4° 22' W. 315.1 feet, thence, N. 27° 40' W. 1,729.7 feet, thence, S. 44° 18' W. 585.0 feet, thence, S. 43° 56' W. 1,693 feet, thence S. 6° 20' E. 265.9 feet, thence S. 40° 41' E. 70.0 feet, thence, S. 74° 07' E. 1,162.62 feet, thence, crossing U. S. Route 60, S. 15° 36' W. 270.7 feet, thence, S. 39° 18' W. 469.0 feet, thence, N. 85° 17' W. 198.0 feet, thence S. 71° 38' W. 549.2 feet, thence, S. 70° 35' W. 705.22 feet, thence, S. 58° 06' W. 478.9 feet, thence S. 58° 42' W. 437.75 feet, thence, S. 68° 34' W. 108.0 feet, thence, with West Virginia Route 34, S. 55° 45' E. 763.0 feet, thence, S. 83° 09' E. 609.8 feet, thence , S. 87° 44' E. 1,309.8 feet, thence, S. 24° 57' E. 546.9 feet, thence, S. 53° 14' E. 947.88 feet, thence, N. 71° 57' E. 880.48 feet, thence, N. 40° 07' E. 880.48 feet, thence, S. 60° 03' E. 1,461.4 feet, thence N. 6° 15' E. 848.7 feet, thence N. 16° 17' W. 99.0 feet, thence, S. 87° 25' E. 113.5 feet, thence, S. 67° 45' E. 138.4 feet, thence, S. 58° 40' E. 105.4 feet, thence S. 45° 25' E. 171.8 feet, thence, S. 42° 05' E. 128.0 feet, thence, S. 33° 40' E. 279.9 feet, thence, S. 46° 25' E. 263 feet, thence, S. 21° 45' E. 340.5 feet, thence, S. 60° 25' E. 229.0 feet, thence N. 35° 40' E. 119.5 feet, thence, N. 20° 01' W. 798.0 feet, thence, N. 56° 00' E. 77.03 feet, thence, No. 50° 05' E. 794.47 feet, thence, N. 66° 00' E. 433.95 feet, thence, N. 78° 00' E. 423.7 feet, thence, N. 64° 44' W. 312.42 feet, thence, N. 58° 11' W. 577.0 feet, thence, N. 88° 17' W. 739.68 feet, thence, crossing U. S. Route 60, N. 13° 16' E. 990.0 feet, thence along Route 60, S. 70° 05' W. 400.0 feet, thence, S. 88° 56' W. 400.0 feet, thence, S. 72° 00' W. 350.0 feet, to place of beginning, containing an area of 0.67 square miles.

(2) Kanawha Orchard Public Service District, more particularly defined as follows:

Beginning at a point in the northerly right-of-way of Interstate Route 64 and 0.15 miles west of the center of McCloud Road, thence; N. 25° 40' E. 1.19 miles, thence, N. 63° 40' E. 1.34 miles, thence, N. 20° 35' W. 2.03 miles, thence N. 69° 25' 0.81 miles to center of Kanawha River, thence, up Kanawha River S. 20° 25' E. 0.32 miles, thence, S. 69° 25' W. 0.29 miles to the center of West Virginia Route 17, thence, with Route 17, S. 20° 35' E. 0.25 miles, thence, S. 4° 45' E.

0.19 miles to a point in said State Route 17 having a latitude of N. 38° 30' and longitude W. 81° 50' 30", thence, leaving West Virginia Route 17 N. 69° 25' E. 0.30 miles to center of Kanawha River, thence, with center of the River and up stream 1.68 miles, thence, leaving the River S. 39° 40' 0.65 miles to a point having a latitude of N. 38° 25' 29" and longitude of W. 81° 50', thence, S. 63° 40' W. 1.55 miles, thence, to the northerly right-of-way of Interstate Route 64 S. 6° 15' E. 0.75 miles, thence, with northerly right-of-way line of Interstate 64 1.10 miles, more or less to place of beginning, containing 3.70 square miles.

(3) Putnam Utilities Corporation, more particularly defined as follows:

TRACT A: Beginning at a stone on a ridge on a line of the Cargill Land, the said stone being a common corner to the land owned by A. C. Radford and Hazel B. Radford, his wife; thence, with the said line of the Cargill land, S. 85° 30' W. 191.5 feet to a white oak stump in a low gap; thence, N. 87° 30' W. 940.5 feet to a stake; thence, S. 63° 30' W. 495 feet to a stone by some hickories; thence, N. 97° 30' W. 792 feet to a stone, corner to a tract of land owned by Charles C. Payne; thence, with the northeasterly line of the said Payne land, N. 47° 45' W. 1,912.5 feet to an iron pipe; thence, N. 41° 7' E. 696 feet to an iron pipe in the southwesterly line of the said Radford land; thence, with the line of the Radford land, S. 54° 30' E. 3,686.5 feet to the place of beginning, containing 62.44 acres, more or less.

TRACT B: Beginning at an iron pipe in the southerly right-of-way of U. S. Route 35, the said iron pipe being a common corner to a tract of land owned by A. C. Radford and Hazel B. Radford, his wife; thence, with the southwesterly line of the said Radford land, S. 36° 00' E. 1,800 feet to an iron pipe; thence, S. 64° 30' E. 455 feet to an iron pipe; thence, leaving the Radford Land, S. 41° 7' W. 696 feet to an iron pipe in the northeasterly line of a tract of land owned by Charles C. Payne; thence, with the said line of the Payne land, N. 47° 45' W. 580 feet to an iron pipe; thence, N. 36° 00' W. 1,482 feet to an iron pipe in the southerly line of Rockystep Branch Road; thence, with the right-of-way line of the said road, N. 51° 48' E. 29.5 feet to an iron pipe; thence, N. 35° 40' W. 336.6 feet to an iron pipe at the intersection of the easterly right-of-way line of Rockystep Branch Road and the southerly right-of-way line of U. S. Route 35; thence, running with U. S. Route 35, N. 55° 32' E. 542.4 feet to the place of beginning, containing 30.9 acres, more or less.

TRACT C: Beginning at an iron pipe in the common division line between the land owned by Charles C. Payne and the property herein conveyed, said iron pipe being located N. 36° 00' W. 444.4 feet from a stake in the northerly right-of-way line of U. S. Route 35; thence, with the common division line between the property herein conveyed and the Payne property, N. 36° 00' W. 201 feet to a stake at the edge of Kanawha River; thence, running up the river and binding thereon, N. 49° 37' E. 209.1 feet, to an iron pipe; thence, running S. 36° 00' E. 217 feet; thence, running S. 54° 00' W. 208.5 feet to the place of beginning, containing 1 acre.

(4) Riverdale Utility Company, more particularly defined as follows:

TRACT 2: Beginning at an iron pipe in the northerly right-of-way line of State Route 17, at the point where the division line between the lands of Walter M. Raynes and F. F. Morris intersect said northerly right-of-way line; thence, leaving the said right-of-way line running with the division line between Morris and Raynes and Morris and Rose, N. 3° 00' W. 1,724 feet to an iron pipe where originally stood a stake 9 feet above a marked beech; thence, leaving Rose and running up the Kanawha River with pool stage, S. 81° 00' E. 543 feet to an iron pipe at the corner of Parcel 1 and 2; thence, leaving the river and running across the bottom with the division line between Parcels Nos. 1 and 2, S. 2° 00' E. 1,555 feet to an iron pipe in the northerly right-of-way of State Highway No. 17; thence, running in a westerly direction with the said northerly right-of-way line, a distance of 505 feet to the point of beginning, containing 19.6 acres, more or less.

(5) Sunnybrook Public Service District, more particularly defined as follows:

Beginning at a point in the Teays Valley Public Service District line 200 feet south of the center line of West Virginia Primary Route 34, having a latitude N. 38° 26' 30" and a longitude W. 81° 59' 04"; thence, S. 68° 15' W. for 0.30 miles parallel with West Virginia Route 34 to a point having a latitude N. 38° 26' 24" and longitude W. 81° 59' 23"; thence, N. 37° 09' W. for 0.15 miles, crossing West Virginia Route 34 at about 200 feet to a point having a latitude N. 38° 26' 31" and longitude W. 81° 59' 29"; thence, N. 45° 59' W. for 0.11 miles to a point on the south right-of-way of Old County Route 34/22

having a latitude N. 38° 26' 34" and longitude W. 81° 59' 34"; thence, with the road right-of-way S. 37° 00' W. for 0.08 miles to a point in the right-of-way having Latitude N. 38° 26' 32" and longitude W. 81° 59' 36"; thence, N. 14° 00' W. with a fence line for 0.625 miles to a point on the Interstate Route 64 right-of-way having a latitude N. 38° 27' 05" and longitude W. 81° 59' 51"; thence, N. 68° 00' E. with the Interstate right-of-way line for 0.46 miles to a point on the right-of-way line having latitude N. 38° 27' 11" and longitude W. 81° 59' 22"; thence, in a southerly direction for 0.32 miles with the Sunnybrook Estate-Springdale Estates Subdivision boundary line to a point having a latitude N. 38° 26' 54" and longitude W. 81° 59' 15"; thence, N. 82° 45' E. for 0.19 miles to a point on the Teays Valley Public Service District boundary line, having latitude N. 38° 26' 55" and longitude W. 81° 59' 04"; thence, S. for 0.48 miles with the Teays Valley Public Service District boundary line to the point of beginning, and containing an area of 0.402 square miles in Teays Valley Magisterial District of Putnam County, West Virginia.

(6) Culloden Sanitary Sewer and Water Service are to be excluded from the South Putnam Public Service District area, more particularly defined as follows:

Culloden Area No. 1

Beginning at a point reference to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustment, said point having the coordinates N518475, E1698600 and being approximately situated on the Cabell-Putnam County Line; thence, with the following bearings and distances, based on the before named Plane Coordinate System, N. 01° 05' 28" W. 2,625.48 feet; thence, N. 63° 52' 08" E. 1,475.85 feet; thence, S. 33° 23' 19" E. 1,317.43 feet; thence, S. 42° 35' 59" W. 2,954.76 feet, to the true point of beginning.

Culloden Area No. 2

Beginning at a point referenced to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustment, said point having the coordinates N516900, E1698725 and being approximately situated on the Cabell-Putnam County Line; thence, with the southerly right-of-way line of the Service Wholesale Access Road, 1,250 feet, more or less, to the westerly right-of-way line of Putnam County Route 60/1 (Thompson Road); thence, with said

westerly right-of-way line 2,200 feet, more or less, to a point; thence, leaving said westerly right-of-way line with the following bearings and distances based on the before named Plane Coordinate System: S. 53° 07' 48" W. 125.00 feet; thence, S. 38° 39' 35" E. 1,120.55 feet; thence, N. 66° 48' 05" E. 761.58 feet; thence, S. 70° 33' 36" E. 1,640.00 feet; thence, S. 61° 54' 24" W. 1,707.71 feet; thence S. 78° 38' 01" E. 3,503.00 feet; thence, N. 03° 55' 33" W. 4,100 feet, to the true point of beginning.

(7) City of Hurricane Water Service Area, more particularly defined as follows:

Beginning at a point referenced to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustments, and having the coordinates N521750, E1700000; thence, with the following bearings and distances based on the before named Plane Coordinate System: N. 63° 47' 00" E. 7,356.80 feet; thence N. 47° 01' 17" W. 1,503.54 feet; thence, N. 31° 05' 50" E. 1,839.33 feet; thence, S. 70° 01' 01" E. 1,463.09 feet; thence, S. 07° 18' 21" E. 982.98 feet; thence, S. 25° 38' 28" E. 693.27 feet; thence, N. 53° 44' 46" E. 1,960.11 feet; thence, N. 58° 12' 09" E. 3,927.47 feet; thence, S. 29° 41' 27" E. 3,280.72 feet; thence, N. 54° 46' 57" E. 1,560.65 feet; thence, S. 16° 41' 57" E. 1,044.03 feet; thence, S. 70° 07' 59" W. 6,326.53 feet; thence, S. 04° 23' 55" W. 1,303.84 feet; thence S. 58° 23' 33" W. 3,052.87 feet; thence, S. 07° 41' 46" E. 1,866.82 feet; thence, S. 33° 06' 41" W. 1,372.95 feet; thence, N. 52° 18' 21" W. 1,390.14 feet; thence, S. 86° 11' 09" W. 2,254.99 feet; thence, S. 09° 03' 28" E. 3,493.57 feet; thence S. 46° 32' 53" W. 654.31 feet; thence, N. 75° 22' 45" W. 1,782.73 feet; thence S. 73° 19' 03" W. 522.02 feet; thence, N. 50° 54' 22" W. 1,030.78 feet; thence, N. 45° 00' 00" E. 353.55 feet; thence N. 17° 31' 32" W. 498.12 feet; thence, N. 40° 56' 26" W. 2,746.93 feet; thence N. 02° 20' 14" E. 1,226.02 feet; thence, N. 42° 22' 25" E. 1,929.39 feet; thence, N. 29° 03' 17" W. 1,029.56 feet to the true point of beginning.

(8) City of Hurricane Sanitary Sewer Service Area, more particularly defined as follows:

Beginning at a point referenced to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustment, said point having the coordinate N524160.24, E1704721.07 and being approximately situated on the southerly right-of-way line of Interstate Route 64;

thence, with the following bearings and distances based on the before named Plane Coordinate System; N. 63° 56' 44" E. 2,481.07 feet; thence, N. 74° 55' 53" E. 1,346.29 feet; thence, S. 29° 44' 42" E. 604.67 feet; thence, N. 70° 42' 36" E. 529.74 feet; thence, S. 33° 41' 24" E. 180.28 feet; thence, N. 64° 29' 10" E. 2,437.72 feet; thence, S. 28° 18' 03" E. 369.12 feet; thence, S. 65° 11' 09" W. 2,561.49 feet; thence, S 24° 56' 39" E. 2,371.18 feet, more or less, to a point in the center of Hurricane Creek; thence, with the center of Hurricane Creek in a southwesterly, upstream direction, 3,800 feet, more or less, to the center of the West Virginia Route 34 Hurricane Creek Bridge; thence, leaving the center line of Hurricane Creek, with the following bearings and distances based on the before named Plane Coordinate System; S. 61° 36' 08" W. 2,796.52 feet; thence, N. 55° 03' 16" W. 2,025.14 feet; thence, S. 33° 09' 48" W. 603.26 feet; thence N. 55° 00' 29" W. 305.16 feet; thence, N. 26° 33' 54" E. 279.51 feet; thence, N. 56° 18' 36" W. 901.39 feet; thence, S. 33° 41' 24" W. 721.11 feet; thence, N. 55° 00' 29" W. 305.16 feet; thence, S. 30° 20' 36" W. 1,187.70 feet; thence, S. 53° 07' 48" E. 625.00 feet; thence, S. 35° 32' 16" W. 430.12 feet; thence N. 54° 41' 20" W. 735.27 feet; thence, N. 32° 39' 39" E. 1,158.12 feet, thence, N. 51° 20' 25" W. 160.08 feet; thence, N. 29° 25' 39" E. 1,119.43 feet; thence, N. 31° 56' 41" E. 1,320 feet, more or less; thence, northeast along southern right-of-way of Virginia Avenue, Putnam County Route 60/10, 3,050 feet, more or less; thence, northwest along the eastern right-of-way of Sovine Road, Putnam County Route 60/3, 915 feet, more or less to the true point of beginning.

(9) Ventroux Water Association for water service only, more particularly defined as follows:

Beginning at a point which is the intersection of the western right-of-way line of U. S. Route 35 and the southern edge of Scary Creek; thence, 700 feet in a southerly direction with the Route 35 line to a point; thence, N. 84° 15' W. 2,360 feet, leaving the Route 35 line to a point; thence S. 03° 24' W. 1,950 feet to a point; thence N. 87° 18' W. 500 feet to a point; thence N. 01° 56' E. 2,130 feet to a point; thence, N. 61° 32' E. 2,180 feet to a point in the southern edge of Scary Creek; thence, 1,500 feet with the southern edge of Scary Creek to the point of beginning, containing an area of 0.13 square miles.

(10) Town of Winfield, more particularly defined as follows:

Beginning at the southernmost point in the original town limits; thence, S. 36° E. 1,270.50 feet, leaving the town limits to a point; thence, S. 57° E. 4,075.50 feet to a point; thence, S. 45-1/2° W. 412.50 feet to a point; thence, S. 85-1/2° W. 511.50 feet to a point; thence, N. 87° 30' W. 478.50 feet to a point; thence, S. 33-1/2° E. 2,739.00 feet to a point; thence, S. 80-1/2° W. 1,435.50 feet to a point; thence, N. 29° W. 39.60 feet to a point; thence S. 81-1/2° W. 1,386.0 feet, crossing Route 29/1 to a point; thence, N. 31-1/2° E. 334.60 feet, again crossing Route 29/1 to a point; thence, S. 75° W. 264 feet to a point; thence, N. 68° W. 453.80 feet to a point; thence, W. 1,386.0 feet, crossing Route 29/1 to a point; thence, N. 71° 00' W. 1,250 feet, crossing Route 29/1 to a point; thence S. 51° 58' W. 450 feet to a point; thence, S. 48° 45' W. 1,455.20 feet, crossing Routes 29/1 and 29; thence, N. 67° 15' W. 760.80 feet to a point; thence, N. 31° 30' E. 128.70 feet to a point; thence, N. 18° 45' E. 184.70 feet to a point; thence, N. 29° 15' E. 296.50 feet to a point; thence, N. 19° 30' E. 415.70 feet to a point; thence, N. 60° 50' W. 411.60 feet to a point, thence, N. 55° 40' W. 378.60 feet to a point; thence, N. 46° W. 436.60 feet to a point in the eastern right-of-way line of Route 34; thence, N. 4° E. 2,715 feet crossing Route 34 and 35 to a point in the southern edge of Kanawha River; thence, N. 71° 35' E. 285 feet with the river to a point; thence, N. 36° 15' E. 250 feet with the river to a point; thence, N. 46° 37' E. 600 feet with the river to a point; thence N. 59° 40' E. 440 feet with the river to a point; thence, N. 56-1/2° E. 471 feet with the river to a point; thence, N. 58-1/2° E. 146 feet with the river to a point; thence N. 55° E. 231 feet with the river to a point; thence, N. 57° 30' E. 290 feet with the river to a point; thence N. 57° E. 294 feet with the river to a point; thence, N. 52° E. 587.80 feet with the river to a point; thence, N. 52° E. 569.30 feet with the river to a point; thence, N. 50° E. 1,155 feet with the river to a point in the original town limits

Section 2.

That the said area of the South Putnam Public Service District is hereby enlarged, extended, and expanded to include all of the aforementioned area as described herein, and is hereby made a part of the said area included and embraced within the South Putnam Public Service District, and that the same shall be henceforth and hereafter included, annexed, and made a part of the South Putnam Public Service District, and shall henceforth and hereafter become and constitute and integral part of the said South Putnam Public Service District.

Entered into the permanent records of Putnam County, West Virginia, this 3rd day of December, 1981.

Leff Moore, President

Leff Moore

R. B. Allen, Commission

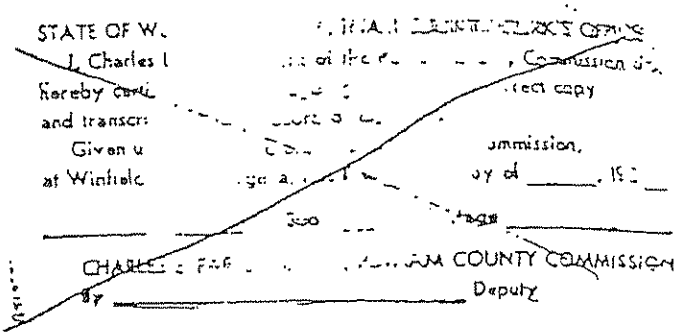
R. B. Allen

Ronald K. Brown, Commission

Ronald K. Brown

ATTEST:

Charles E. Farley, Clerk



STATE OF W[illegible] [illegible] CLERK'S OFFICE

I, Charles [illegible] of the [illegible], Commission do,
hereby certi[illegible] [illegible]rect copy
and transcr[illegible] [illegible]
Given u[illegible] [illegible]ommission,
at Winfield [illegible] [illegible]y of _____, 19[illegible]

_____ _____ Book _____ Page _____

CHARLES E. FAR[illegible] [illegible]AM COUNTY COMMISSION
By _____ Deputy

STATE OF WEST VIRGINIA, PUTNAM COUNTY CLERK'S OFFICE

I, Charles E. Farley, Clerk of the Putnam County Commission do,
hereby certify that this foregoing is a true and correct copy
and transcript from the record of my office.

Given under my hand and seal of the said commission,
at Winfield, West Virginia, this the 16 day of Feb, 1982

Court Order Book 28 At Page 314

CHARLES E. FARLEY, CLERK, PUTNAM COUNTY COMMISSION
By K. Erwin Deputy

3-10-81

A RESOLUTION AND ORDER EXPANDING THE BOUNDARIES OF THE TEAYS VALLEY PUBLIC SERVICE DISTRICT HEREINAFTER TO BE KNOWN AS THE SOUTH PUTNAM PUBLIC SERVICE DISTRICT WITHIN PUTNAM COUNTY, WEST VIRGINIA.

WHEREAS, the County Commission of Putnam County, West Virginia, did heretofore by a resolution and order adopted on the 27th of January, 1981, fixed a date for a public hearing on the expansion of the Teays Valley Public Service District, hereafter to be known as the South Putnam Public Service District, and in and by, said resolution and order provide that all persons residing in or owning or having any interest in property in the proposed public service district might appear before the County Commission at this meeting, and have an opportunity to be heard for and against the creation of the said public service district; and,

WHEREAS, notice of this hearing was duly given in a manner provided and required by the said resolution and order and by Article 13A, Chapter 16, of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the creation of the said district, but no written protest has been filed by the requisite number of qualified voters registered and residing within the proposed expanded public service district area or the existing boundaries of the Teays Valley Public Service District, and said County Commission has given due consideration to all matters for which such hearing was offered; and,

WHEREAS, it is now deemed desirable by said County Commission to adopt a resolution and order expanding and establishing the said district;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED AND ORDERED by the County Commission of Putnam County, West Virginia as follows:

Section 1: That the physical, geographical, territorial limits of the Teays Valley Public Service District, a public corporation, are hereby enlarged, expanded, and extended to include all of the properties described hereinafter as follows:

AN AREA comprising the magisterial districts of Teays Valley, Scott, Curry, and that protion of Buffalo, south of the Kanawha River, including the area currently known as the Teays Valley Public Service District, but excluding the areas currently known as the Water and/or Sewer Utilities of Record.

Those areas to be excepted from the territorial jurisdiction of the South Putnam Public District are described hereinafter as follows:

(1) Lake Washington Public Service District, for water service only, more particularly defined as follows:

Beginning at a point in which the easterly line of Block C intersects the northerly right-of-way of U.S. Route 60, thence, N. 32° 13' W. 305.0 feet, N. 00° 50' W. 176.07 feet, thence, N. 4° 22' W. 315.1 feet, thence, N. 27° 40' W. 1,728.7 feet, thence, S. 44° 18' W. 585.0 feet, thence, S. 43° 56' W. 1,693 feet, thence, S. 6° 20' E. 265.9 feet, thence, S. 40° 41' E. 70.0 feet, thence, S. 74° 07' E. 1,162.68 feet, thence, crossing U.S. Route 60, S. 15° 36' W. 270.7 feet, thence, S. 39° 18' W. 469.0 feet, thence, N. 85° 17' W. 198.0 feet, thence, S. 71° 38' W. 549.2 feet, thence, S. 70° 35' W. 705.22 feet, thence, S. 38° 06' W. 478.3 feet, thence, S. 58° 42' W. 407.75 feet, thence, S. 68° 54' W. 108.0 feet, thence, with West Virginia Route 34, S. 55° 45' E. 763.0 feet, thence, S. 83° 09' E. 609.3 feet, thence, S. 87° 41' E. 1,309.8 feet, thence, S. 24° 57' E. 546.9 feet, thence, S. 53° 14' E. 947.88 feet, thence, N. 71° 57' E. 380.48 feet, thence, N. 40° 07' E. 880.48 feet, thence, S. 60° 03' E. 1,461.4 feet, thence, N. 6° 15' E. 848.7 feet, thence, N. 15° 17' W. 99.0 feet, thence, S. 87° 25' E. 118.5 feet, thence, S. 67° 45' E. 138.4 feet, thence, S. 38° 40' E. 105.4 feet, thence, S. 85° 35' E. 141.2 feet, thence, S. 42° 05' E. 123.0 feet, thence, S. 33° 40' E. 279.9 feet, thence, S. 46° 25' E. 263 feet, thence, S. 30° 45' E. 125.0 feet, thence, S. 21° 45' E. 240.5 feet, thence, S. 80° 25' E. 228.0 feet, thence, N. 35° 40' E. 119.5 feet, thence, N. 20° 01' W. 798.0 feet, thence, N. 56° 00' E. 77.33 feet, thence, N. 30° 05' E. 794.47 feet, thence, N. 66° 00' E. 433.95 feet, thence, N. 78° 00' E. 423.7 feet, thence, N. 64° 44' W. 312.42 feet, thence, N. 38° 11' W. 577.0 feet, thence, N. 38° 17' W. 739.68 feet, thence, crossing U.S. Route 60, N. 13° 16' E. 990.0 feet, thence, along Route 60, S. 70° 05' W. 400.0 feet, thence, S. 58° 58' W. 400.0 feet, thence, S. 72° 00' W. 350.0 feet, to place of beginning, containing an area of 0.67 square miles.

(2) Kanawha Orchard Public Service District, more particularly defined as follows:

Beginning at a point in the northerly right-of-way of Interstate Route 64 and 0.15 miles west of the center of McCloud Road, thence, N 26° 40' E 1.18 miles, thence, N. 63° 40' E. 1.34 miles, thence, N. 20° 35' W. 2.03 miles, thence, N. 69° 25' 0.81 miles to center of Kanawha River, thence, up Kanawha River S. 20° 25' E. 0.32 miles, thence, S. 69° 25' W. 0.29 miles to the center of West Virginia Route 17, thence, with Route 17 S. 20° 35' E. 0.25 miles, thence, S. 4° 45' E. 0.19 miles to a point in said State Route 17 having a latitude of N. 38° 30' and Longitude W. 81° 30' 30", thence, leaving West Virginia Route 17 N. 69° 25' E. 0.30 miles to center of Kanawha River, thence, with center of the River and up stream 1.68 miles, thence, leaving the River S. 39° 40' 0.65 miles to a point having a latitude of N. 38° 29' 29" and Longitude of W. 81° 30' thence, S. 63° 40' W. 1.55 miles, thence, to the northerly right-of-way of Interstate Route 64 S. 6° 15' E. 0.75

miles, ... ce, with northerly right-of- ...y line of Interstate 64 1.10 miles more or less to place of beginning containing 3.70 square miles.

(3) Putnam Utilities Corporation, more particularly defined as follows:

TRACT A: Beginning at a stone on a ridge in a line of the Cargill land, the said stone being a common corner to the Cargill land, the said stone being a common corner to the land owned by A. C. Radford and Hazel B. Radford, his wife; thence, with the said line of the Cargill land, S. 85° 30' W. 181.5 feet, to a white oak stump in a low gap, thence, N. 87° 30' W. 940.5 feet to a stake, thence, S. 63° 30' W. 495 feet to a stone by some hickories, thence, N. 87° 30' W. 792 feet, to a stone, corner to a tract of land owned by Charles C. Payne, thence, with the northeasterly line of the said Payne land, N. 47° 45' W. 1,812.5 feet, to an iron pipe, thence, N. 41° 7' E. 696 feet to an iron pipe in the southwesterly line of the said Radford land, thence, with the line of the Radford land, S. 64° 30' E. 3,886.5 feet to the place of beginning, containing 62.44 acres, more or less.

TRACT B: Beginning at an iron pipe in the southerly right-of-way of U.S. Route 35, the said iron pipe being a common corner to a tract of land owned by A. C. Radford and Hazel B. Radford, his wife, thence, with the southwesterly line of the said Radford land, S. 36° 00' E. 1,800 feet to an iron pipe, thence, S. 64° 30' E. 455 feet to an iron pipe, thence, leaving the Radford land, S. 41° 7' W. 696 feet to an iron pipe in the northeasterly line of a tract of land owned by Charles C. Payne, thence with the said line of the Payne land, N. 47° 45' W. 330 feet to an iron pipe, thence, N. 36° 30' W. 1,482 feet to an iron pipe in the southerly line of Rockystep Branch Road, thence, with the right-of-way line of the said road, N. 51° 48' E. 29.5 feet to an iron pipe, thence, N. 35° 40' W. 336.6 feet to an iron pipe at the intersection of the easterly right-of-way line of Rockystep Branch Road and the southerly right-of-way line of U.S. Route 35, thence, running with U.S. Route 35, N. 55° 32' E. 542.4 feet to the place of beginning, containing 30.9 acres, more or less.

TRACT C: Beginning at an iron pipe in the common division line between the land owned by Charles C. Payne and the property herein conveyed, said iron pipe being located N. 36° 00' W. 444.4 feet from a stake in the northerly right-of-way line of U.S. Route 35, thence, with the common division line between the property herein conveyed and the Payne property, N. 36° 00' W. 201 feet to a stake at the edge of Kanawha River, thence, running up the river and binding thereon, N. 49° 37' E. 209.1 feet, to an iron pipe, thence, running S. 36° 00' E. 217 feet, thence, running S. 54° 00' W. 208.5 feet to the place of beginning, containing 1 acre.

(4) Riverdale Utility Company, more particularly defined as follows:

TRACT 2: Beginning at an iron pipe in the northerly right-of-way line of State Route 17, at the point where the division line between the lands of Walter M. Raynes and F. F. Morris intersect said northerly right-of-way line, thence, leaving the said right-of-way

line and running with the division line between Morris and Raynes & Morris and Rose, N. 3° 00' 1,724 feet to an iron pipe where originally stood a stake 9 feet above a marked beech, thence, leaving Rose and running up the Kanawha River with pool stage, S. 81° 00' E. 543 feet to an iron pipe at the corner of Parcel 1 and 2, thence, leaving the river and running across the bottom with the division line between Parcels Nos. 1 and 2, S. 2° 00' E. 1,555 feet to an iron pipe in the northerly right-of-way of State Highway No. 17, thence, running in a westerly direction with the said northerly right-of-way line, a distance of 505 feet to the point of beginning, containing 19.6 acres, more or less.

(5) Sunnybrook Public Service District, more particularly defined as follows:

Beginning at a point in the Teays Valley Public Service District line 200 feet south of the center line of West Virginia Primary Route 34, having latitude N. 38° 26' 30" and longitude W. 81° 59' 04", thence, S. 68° 15' W. for 0.30 miles parallel with West Virginia Route 34, to a point having latitude N. 38° 26' 24" and longitude W. 81° 59' 23", thence, N. 37° 09' W. for 0.15 miles, crossing West Virginia Route 34 at about 200 feet to a point having latitude N. 38° 26' 31" and longitude W. 81° 59' 29", thence, N. 45° 59' W. for 0.14 miles to a point on the south right-of-way of Old County Route 14/22 having latitude N. 38° 26' 34" and longitude W. 81° 59' 34", thence, with the road right-of-way E. 37° 00' W. for 0.08 miles to a point on the right-of-way having latitude N. 38° 26' 37" and longitude W. 81° 59' 36", thence, N. 14° 00' W. with a fence line for 0.625 miles to a point on the Interstate Route 64 right-of-way having latitude N. 38° 27' 05" and longitude W. 81° 59' 51", thence, N. 68° 00' E. with the Interstate right-of-way line for 0.46 miles to a point on the right-of-way line having latitude N. 38° 27' 11" and longitude W. 81° 59' 22", thence, in a southerly direction for 0.32 miles with the Sunnybrook Estates-Springdale Estates Subdivision boundary line to a point having latitude N. 38° 26' 54" and longitude W. 81° 59' 15", thence, N. 82° 45' E. for 0.19 miles to a point on the Teays Valley Public Service District boundary line, having latitude N. 38° 26' 55" and longitude W. 81° 59' 04", thence, S. for 0.48 miles with the Teays Valley Public Service District boundary line to the point of beginning, and containing an area of 0.402 square miles in Teays Valley Magisterial District of Putnam County, West Virginia.

(6) Culloden Sanitary Sewer and Water Service are to be excluded from the Teays Valley Public Service District proposed expansion area, more particularly defined as follows: Culloden Area No. 1

Beginning at a point reference to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustment, said point having the coordinates N518475, E1698600 and being approximately situated on the Cabell-Putnam County line, thence, with the following

bearings and distances, based on the bef[illegible] named Plane Coordinate System, [illegible] 1° 05' 28" W, 2,625.48 feet, thence, N 63° 52' 08" E, 1,475.85 feet, thence, S 33° 23' 19" E, 1,317.43 feet, thence, S 42° 35' 59" W, 2,954.76 feet, to the true point of beginning.

Culloden Area No. 2

Beginning at a point referenced to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustment, said point having the coordinates N516900, E1698725 and being approximately situated on the Cabell-Putnam County Line, thence, with the southerly right-of-way line of the Service Wholesale Access Road, 1,250 feet, more or less, to the westerly right-of-way line of Putnam County Route 60/1 (Thompson Road); thence, with the said westerly right-of-way line 2,200 feet, more or less, to a point; thence, leaving said westerly right-of-way line with the following bearings and distances based on the before named Plane Coordinate System; S 53° 07' 48" W, 125.00 feet, thence, S 38° 39' 35" E, 1,120.55 feet, thence, N 66° 48' 05" E, 761.58 feet, thence, S 70° 33' 36" E, 1,640.00 feet, thence, S 61° 54' 24" W, 1,707.71 feet, thence, S 78° 38' 01" E, 3,503.00 feet, thence, N 03° 55' 33" W, 4,100 feet, to the true point of beginning.

(7) City of Hurricane Water Service Area, more particularly defined as follows:

Beginning at a point referenced to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustments, and having the coordinates N521750, E1700000, thence, with the following bearings and distances based on the before named Plane Coordinate System: N 63° 47' 00" E, 7,356.80 feet, thence, N 47° 01' 17" W, 1,503.[illegible] feet, thence, N 31° 05' 50" E, 1,859.33 feet, thence, S 70° 01' 01" E, 1,463.09 feet, thence, S 07° 18' 21" E, 982.98 feet, thence, S 25° 38' 28" E, 693.27 feet, thence, N 53° 44' 46" E, 1,860.11 feet, thence, N 58° 32' 09" E, 3,927.47 feet, thence, S 29° 41' 27" E, 3,280.72 feet, thence, N 54° 46' 57" E, 1,560.65 feet, thence, S 16° 41' 57" E, 1,044.03 feet, thence, S 70° 07' 59" W, 6,326.53 feet, thence, S 04° 23' 55" W, 1,303.84 feet, thence, S 58° 23' 33" W, 3,052.87 feet, thence, S 07° 41' 46" E, 1,866.82 feet, thence, S 33° 06' 41" W, 1,372.95 feet, thence, N 52° 18' 21" W, 1,390.14 feet, thence, S 86° 11' 09" W, 2,254.99 feet, thence, S 09° 03' 28" E, 3,493.57 feet, thence, S 46° 32' 53" W, 654.31 feet, thence, N 75° 22' 45" W, 1,782.73 feet, thence, S 73° 18' 03" W, 522.02 feet, thence, N 50° 54' 22" W, 1,030.78 feet, thence, N 45° 00' 00" E, 353.55 feet, thence, N 17° 31' 32" W, 498.12 feet, thence, N 40° 56' 26" W, 2,746.93 feet, thence, N 02° 20' 14" E, 1,226.02 feet, thence, N 42° 22' 25" E, 1,928.89 feet, thence, N 29° 03' 17" W, 1,029.56 feet to the true point of beginning.

(8) City of Hurricane Sanitary Sewer Service Area, more particularly defined as follows:

Beginning at a point referenced to the West Virginia Plane Coordinate System, South Zone, said Coordinate System referenced to the North American Datum, 1927 adjustment, said point having the coordinates N522825, E1701990, and being approximately situated on the southerly right-of-way line of Interstate Route 64; thence, with the following bearings and distances based on the before named Plane Coordinate System; N 63° 56' 44" E, 5,521.07 feet, thence, N 74° 55' 53" E,

1,346.29 t, thence, S 29° 44' 42" E, 67 feet, thence, N 70° 42' 36" E, 529.74 feet, thence, S 33° 41' 24" E, 180.28 feet, thence, N 64° 29' 10" E, 2,437.72 feet, thence, S 28° 18' 03" E, 369.12 feet, thence, S 65° 11' 09" W, 2,561.49 feet, thence, S 24° 56' 39" E, 2,371.18 feet, more or less, to a point in the center of Hurricane Creek, thence, with the center of Hurricane Creek in a southwesterly, upstream, direction 3,800 feet, more or less, to the center of the West Virginia Route 34 Hurricane Creek Bridge, thence, leaving the center line of Hurricane Creek with the following bearings and distances based on the before named Plane Coordinate System: S 61° 36' 08" W, 2,796.52 feet, thence, N 55° 03' 16" W, 2,025.14 feet, thence, S 33° 09' 48" W, 603.26 feet, thence, N 55° 00' 29" W, 305.16 feet, thence, N 26° 33' 54" E, 279.51 feet, thence, N 56° 18' 36" W, 901.39 feet, thence, S 33° 41' 24" W, 721.11 feet, thence, N 55° 00' 29" W, 305.16 feet, thence, S 30° 20' 36" W, 1,187.70 feet, thence, S 53° 07' 48" E, 625.00 feet, thence, S 35° 32' 16" W, 430.12 feet, thence, N 54° 41' 20" W, 735.27 feet, thence, N 32° 39' 39" E, 1,158.12 feet, thence, N 51° 20' 25" W, 160.08 feet, thence, N 29° 25' 39" E, 1,119.43 feet, thence, N 31° 56' 41" E, 2,003.40 feet, to the true point of beginning.

(9) Ventroux Water Association, for water service only, more particularly defined as follows:

Beginning at a point which is the intersection of the western right-of-way line of U.S. Route 35 and the southern edge of Scary Creek: thence, 700 feet in a southerly direction with the Route 35 line to a point, thence, N 84° 15' W, 2,360 feet, leaving the Route 35 line to a point, thence, S 03° 24' W, 1,850 feet to a point, thence, N 87° 18' W, 500 feet to a point, thence, N 01° 56' E, 2,130 feet to a point, thence, N 61° 32' E, 2,180 feet to a point in the southern edge of Scary Creek, thence, 1,500 feet with the southern edge of Scary Creek to the point of beginning, containing an area of 0.13 square miles.

(10) Town of Winfield, more particularly defined as follows:

Beginning at the southern most point in the original Town limits, thence, S 36° E, 1,270.50 feet, leaving the Town limits to a point, thence, S 57° E, 4,075.50 feet to a point, thence, S 45-1/2° W, 412.50 feet to a point, thence, S 85-1/2° W, 511.50 feet to a point, thence, N 87° 30' W 478.50 feet to a point, thence, S 33-1/2° E, 2,739.00 feet to a point, thence, S 80-1/2° W, 1,435.50 feet to a point, thence, N 29° W, 39.60 feet to a point, thence, S 81-1/2° W, 1,386.0 feet, crossing Route 29/1 to a point, thence, N 31-1/2° E, 334.60 feet, again crossing Route 29/1 to a point, thence, S 75° W 264 feet to a point, thence, N 68° W 453.80 feet to a point, thence, W 1,386.0 feet, crossing Route 29/1 to a point, thence, N 71° 00" W, 1,250 feet, crossi Route 29/1 to a point, thence, S 51° 58' W 450 feet to a point, thence, S 48° 45' W, 1,455.20 feet, crossing Routes 29/1 and 29, thence, N 67° 15' W, 760.80 feet to a point, thence, N 33° 30' E, 128.70 feet to a point, thence, N 18° 45' E, 184.70 feet to a point, thence, N 29° 15' E, 286.50 feet to a point, thence, N 19° 30' E, 415.70 feet to a point, thence, N 60° 50' W 411.60 feet to a point, thence, N 55° 40' W, 378.60 feet to a point, thence, N 46° W, 436.60 feet to a point in the eastern right-of-way line of Route 34, thence, N 4° E, 2,715 feet crossing Routes 34 and 35 to a point in the southern edge of Kanawha River, thence, N 71° 35' E, 285 feet with the river to a point, thence, N 36° 15' E, 250 feet with the river to a point, thence, N 46° 37' E, 600 feet with the river to a point, thence, N 59° 40' E, 440 feet with the river to a point, thence, N 56-1/2° E, 471 feet with the river to a

point, t[illegible]ce, N 53-1/2° E, 146 feet wi[illegible]he river to a point, thence, [illegible].5° E, 231 feet with the river to a point, thence, N 57° 30' E, 280 feet with the river to a point, thence, N 57° E 294 feet with the river to a point, thence, N 52° E, 587.80 feet with the river to a point, thence, N 52° E, 569.30 feet with the river to a point, thence, N 50° E, 1,155 feet with the river to a point in the original Town limits.

Section 2: (a) The name and corporate title of the expanded Teays Valley Public Service District shall be "South Putnam Public Service District".

(b) That the said area of the Teays Valley Public Service District, hereafter known as the South Putnam Public Service District, is hereby enlarged, extended, and expanded to include all of the aforementioned area as described herein, and is hereby made a part of the said area included and embraced within the South Putnam Public Service District, and that the same shall be henceforth and hereafter included, annexed, and made a part of, the South Putnam Public Service District, and shall henceforth and hereafter become and constitute an integral part of the said South Putnam Public Service District.

ENTERED into the permanent records of Putnam County, West Virginia, this 10th day of March, 1981.

Leff Moore, President

R. B. Allen, Commissioner

Ronald K. Brown, Commissioner

ATTEST:

Charles E. Farley, Jr., Clerk

Transmitted to the County Clerk's Office, March 11, 1981

Received by: _____

9-1-1959

A RESOLUTION AND ORDER creating
Teays Valley Public Service District
in Putnam County, West Virginia

WHEREAS, the County Court of Putnam County, West Virginia, did heretofore by a resolution and order adopted September 1, , 195 fix a date for a public hearing on the creation of the proposed Tea Valley Public Service District and in and by said resolution and or provide that all persons residing in or owning or having any intere in property in the proposed public service district might appear b fore the County Court at this meeting and have the opportunity to b heard for and against the creation of said district: and,

WHEREAS, notice of this hearing was duly given in the manner provided and required by said resolution and order and by Article 13-A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the creation of said district, but no written protest has b filed by the requisite number of qualified voters registered and re siding within said proposed public service district and said County Court has given due consideration to all matters for which such hea was offered; and,

WHEREAS, it is now deemed desirable by said County Court to adopt a resolution and order creating said district:

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

Section 1. That a public service district within Putnam Count West Virginia, is hereby created, and said district shall have the following boundaries:

Beginning at a point of intersection of the center line of Wes Virginia Secondary Route No. 44 and the northerly right-of-way line the Chesapeake and Ohio Railway Company at a latitude of N. 38° 26' and longitude W. 81° 51' 24", thence with the northerly right-of-wa line of the Chesapeake and Ohio Railway Company in a westerly direc 6.90 miles, more or less, to a point having a latitude of N. 38° 26' 23" and a longitude of W. 81° 59' 08", thence North 0.83 miles to the southerly right-of-way line of Interstate Route No. 64, thence with the southerly right-of-way line of Interstate Route No. 64, in an easterly direction 7.35 miles, thence south 30° 00' W. 0.85 miles to the place of beginning containing 5.14 square miles, more or less, being a portion of Scott Magisterial District and containir generally the area north of the northerly right-of-way line of the Chesapeake and Ohio Railway and the southerly right-of-way line of Interstate Route No. 64, all of which are in Putnam County, State of West Virginia, as shown upon map prepared by J. H. Milam, Inc., 1214 Myers Avenue, Dunbar, West Virginia, dated June 30, 1959.

Section 2. That said Public service district so created shall have the name and corporate title of "Teays Valley Public Service District", and shall constitute a public corporation and political subdivision of the State of West Virginia having all of the rights

and powers conferred on public service districts by the laws of the State of West Virginia, and particularly Article 13A of Chapter 16 of the West Virginia Code.

Section 3. That the County Court of Putnam County, West Virgini has determined that the territory within Putnam County, West Virgini having the hereintoabove described boundaries, is to situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying sewerage and/or water services within such territory by sa public service district will be conducive to the preservation of pub health and confort and convenience of such area.

ADOPTED BY THE COUNTY COURT September 1, , 1959.

President

Attest;

Clerk

STATE OF WEST VIRGINIA

COUNTY OF PUTNAM, SS:

I, J. M. LAKE, Clerk of the County Commission of Putnam County, West Virginia, hereby certify that the foregoing is a full, true, correct and complete copy of the instrument as same appears of record in my office in Court Order Book Number 19 Page 63.

Given under my hand and seal of said Commission this the 22nd day of May, 1978

J. M. Lake Clerk
Putnam County Commission
Winfield, West Virginia

Kay Hart
BY DEPUTY CLERK

8-4-59

Winfield, West Virginia

August 4, , 19[illegible]

The County Court of Putnam County, West Virginia, met in regula session pursuant to law and to the rules of said court at the County Court House, Winfield, West Virginia, at 10:00 o'clock A.M. The meeting was called to order and the roll being called there were present Carl B. Miller, President, presiding, and the following named commissioners.

Absent: None

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed Teays Valley Public Service District, as contemplated and provided fo in a resolution and order adopted by the County Court on August 4, 1959, the president announced that all persons residin in or owning or having any interest in property in such proposed publ service district desiring to be heard for or against the creation of said district would be heard and all such interested persons desiring to be heard were given full opportunity.

The County Court then further discussed the creation of said public service district, whereupon Homer West introduced and caused to be read a proposed resolution and order, entitled:

"A RESOLUTION AND ORDER creating Teays Valley Public Service District, Putnam County, West Virginia",

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted. Harold D. Brown seconded the motion and after due consideration the President put the question on the motion and the roll being called, the following voted:

Aye: All three

Nay:

Whereupon the President declared the motion duly carried and said resolution and order duly adopted.

Homer West introduced and caused to be read a proposed resolution and order, entitled:

"A RESOLUTION AND ORDER appointing members to the public service board of the Teays Valley Public Service District".

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order by adopted, A. C. Neal & H.D.Brown seconded the motion and after due consideration the President put the question on the motion and the roll being called, the following voted.

Aye: all three

Nay:

Whereupon the President declared the motion duly carried and said resolution and order duly adopted.

On motion and vote the meeting adjourned.

C. B. Miller
President

Attest:

A. M. Elrod
Clerk

## NOTICE OF PUBLIC HEARING ON CREATION OF TEAYS VALLEY PUBLIC SERVICE DISTRICT

Notice is hereby given that a legally sufficient petition has been filed with the Clerk of the County Court of Putnam County, West Virginia, and has been presented to the County Court of Putnam for the creation of a public service district within Putnam County, for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation, improvement and extension of public service properties supplying water and/or sewerage services within said district and the outside said district to the extent permitted by law; to be named "Teays Valley Public Service District", and having the following described boundaries:

Beginning at a point of intersection of the center line of West Virginia Secondary Route No. 41 and the northerly right-of-way line of the Chesapeake and Ohio Railway Company at a latitude of N. 38° 28' 19" and longitude W. 81° 51' 36", thence with the northerly right-of-way line of the Chesapeake and Ohio Railway Company in a westerly direction 6.96 miles, more or less, to a point having a latitude of N. 38° 30' 33" and a longitude of W. 81° 59' 04", thence North 0.82 miles to the southerly right-of-way line of Interstate Route—No. 64, thence with the southerly right-of-way line of Interstate Route No. 64 in an easterly direction 7.36 miles, thence south 33° 00' W. 0.25 miles to the place of beginning containing 5.14 square miles, more or less, being a portion of Scott Magisterial District and containing generally the area north of the northerly right-of-way line of the Chesapeake and Ohio Railway and the southerly right-of-way line of Interstate Route No. 64, all of which are in Putnam County, State of West Virginia, as shown upon map prepared by J. H. Milam, Inc., 1214 Myers Avenue, Dunbar, West Virginia, dated June 16, 1986.

All persons residing in or owning or having any interest in property in said proposed public service district are hereby notified that the County Court of Putnam County will conduct a public hearing on September 1, 1988, at 10:00 o'clock A. M., in the County Court House at Winfield, West Virginia, at which time and place all interested persons may appear before the County Court and shall have an opportunity to be heard for and against the creation of the proposed public service district.

By order of the County Court this 6th day of August, 1988.

A. M. BROWN
County Court Clerk

Served by the County Court Aug. 4, 1988.

C. R. MILLER
President

A. M. BROWN
Clerk

1959

A resolution and order fixing a date of hearing on the creation of a proposed public service district within Putnam County, West Virginia; and providing for the publication of a notice of such hearing.

WHEREAS, there has heretofore been filed in the office of the Clerk of the County Court of Putnam County, West Virginia, a petition to this County Court, for the creation of a public service district within Putnam County, West Virginia; and

WHEREAS, said County Court Clerk has presented such petition to this County Court at this meeting; and

WHEREAS, Pursuant to the provisions of Article 13A of Chapter 16 of the West Virginia Code this County Court upon presentation of such petition is required to fix a date of hearing on the creation of the proposed public service district:

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

Section 1. That the County Court of Putnam County, West Virginia hereby finds and declares that there has been filed in the office of the County Court Clerk and presented by said County Court Clerk to the County Court a petition for the creation of a public service district within Putnam County, West Virginia, which petition contains a description sufficient to identify the territory to be embraced within the proposed public service district and which petition has been signed by at least one hundred legal voters resident within and owning real property within the limits of the proposed public service district, and said County Court further finds and declares that said petition in all respects meets the requirements of Article 13A of Chapter 16 of the West Virginia Code.

Section 2. That said petition, among other things, states as follows:

(a). The name and corporate title of said Public service distric shall be "Teays Valley Public Service District".

(b). The territory to be embraced in said Public Service Distric shall be as follows:

Beginning at a point of intersection of the center line of West Virginia Secondary Route No. 44 and the Northerly right-of-way line of the Chesapeake and Ohio Railway Company at a latitude of N. 38° 25' 10" and longitude W. 81° 51' 24", thence with the northerly right-of-way line of the Chesapeake and Ohio Railway Company in a westerly direction 6.90 miles, more or less, to a point having a latitude of N. 38° 26' 23" and a longitude of W. 81° 59' 08", thence North 0.83 miles to the southerly right-of-way line of Interstate Route No. 64, thence with the southerly right-of-way lin of Interstate Route No. 64, in an easterly direction 7.35 miles, thenc south 30° 00' W. 0.85 miles to the place of beginning containing 5.14 square miles, more or less, being a portion of Scott Magisterial Distr and containing generally the area north of the northerly right-of-way line of the Chesapeake and Ohio Railway and the southerly right-of-way line of Interstate Route No. 64, all of which are in Putnam County, State of West Virginia, as shown upon map prepared by J. H. Milam, Inc. 1214 Myers Avenue, Dunbar, West Virginia, dated June 30, 1959.

(c). The purpose of said Public service district shall be to construct, or acquire by purchase or otherwise and maintain, operate, improve and extend properties supplying water and/or sewage services within such territory and also outside such territory to the extent permitted by law.

(d). The territory described above does not include within its limits the territory of any other Public Service District organized under Article 13A of Chapter 16 of the West Virginia Code, nor does such territory include within its limits any city, incorporated town or other municipal corporation.

Section 3. That on September 1, , 1959, at the hour of 10:00 o'clock A.M., this County Court shall meet in the County Court House at Winfield, West Virginia for the purpose of conducting a public hearing on the creation of the proposed public service district at which time and place all persons residing in or owning or having any interest in property in the proposed public service district may appear before this County Court and shall have an opportunity to be heard for and against the creation of said district, and at such hearing, this County Court shall consider and determine the feasibility of the creation of the proposed public service district

Section 4. That the County Court Clerk is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on Aug. 7 and 14th, 1959, in the Democrat Hurricane Breeze and Putnam, a newspaper of general circulation published in Putnam County.

NOTICE OF PUBLIC HEARING
ON CREATION OF TEAYS VALLEY
PUBLIC SERVICE DISTRICT

Notice is hereby given that a legally sufficient petition has been filed with the Clerk of the County Court of Putnam County, West Virginia, and has been presented to the County Court of Putnam for the creation of a public service district within Putnam County, for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation, improvement and extension of public service properties supplying water and/or sewerage services within said district and also outside said district to the extent permitted by law; to be named "Teays Valley Public Service District", and having the following described boundaries:

Beginning at a point of intersection of the center line of West Virginia Secondary Route No. 44 and the northerly right-of-way line of the Chesapeake and Ohio Railway Company at a latitude of N. 38° 26' 10" and longitude W. 81° 51' 24", thence with the northerly right of-way line of the Chesapeake and Ohio Railway Company in a westerly direction 6.90 miles, more or less, to a point having a latitude of N. 38° 26' 23" and a longitude of W. 81° 59' 08", thence North 0.63 miles to the southerly right-of-way line of Interstate Route No. 64, thence with the southerly right-of-way line of Interstate Route No. 64, in an easterly direction 7.35 miles, thence south 30° 00' W. 0.85 miles to the place of beginning containing 5.14 square miles, more or less, being a portion of Scott Magisterial District and containing generally the area north of the northerly right-of-way line of the Chesapeake and Ohio Railway and the southerly right-of-way line of Interstate Route No. 64, all of which are in Putnam County, State of

West Virginia, as shown upon map prepared by J. L. Milam, Inc., 1214 Myers Avenue, Dunbar, West Virginia, dated June 30, 1959.

All persons residing in or owning or having any interest in property in said proposed public service district are hereby notified that the County Court of Putnam County will conduct a public hearing on September 1, 1959, at 10:00 o'clock A.M., in the County Court House at Winfield, West Virginia, at which time and place all interested persons may appear before the County Court and shall have an opportunity to be heard for and against the creation of the proposed public service district.

By order of the County Court this 4th day of August, 1959.

A M Brown
County Court Clerk

Adopted by the County Court August 4, 1959.

C B Mueller
President

Attest:

A M Brown
Clerk

STATE OF WEST VIRGINIA)
) SS
COUNTY OF PUTNAM )

I, A. M. Brown, hereby certify that I am the duly qualified and acting Clerk of the County Court of Putnam County, West Virginia, and that the foregoing constitutes a true, correct and

COPY

Commissioners
Stephen A. Andes
R. Joseph Haynes
Gary O. Tillis

Putnam County Commission
3 Road
W V 25213

Phone: 586-0201
Fax: 586-0200

March 11, 2008

Mr. Paul D. Callahan
8 Oak Ridge
Winfield, West Virginia 25213

Dear Mr. Callahan

The Putnam County Commission is pleased to announce that we have appointed you to serve on the Putnam Public Service District Board, to fill the unexpired term of Mr. Jerry Kelley. This term will be effective on March 4, 2008 and will expire on August 31, 2013.

Upon receipt of this letter, it will be necessary for you to appear before the County Clerk of this Commission at the courthouse to take the oath of office. Failure to do this could make a board vote nil and illegal, so taking this oath as soon as possible is extremely important for you. If for any reason you are unable to accept the appointment, please contact our office as soon as possible so we may make other arrangements.

We look forward to working with you in this capacity and thank you for your willingness to serve the citizens of Putnam County.

Sincerely,

PUTNAM COUNTY COMMISSION

Stephen A. Andes, President

R. Joseph Haynes, Commissioner

Gary O. Tillis, Commissioner

PPC:so

COPY

IN THE COUNTY COMMISSION OF PUTNAM COUNTY, WEST VIRGINIA

The County Commission of Putnam County, West Virginia, sitting in regular session this the 11th day of March, 2008 does hereby APPOINT Mr. Paul D. Callahan, 8 Oak Ridge, Winfield, WV 25213 to serve on the Putnam Public Service District Board, effective March 4, 2008 with a term to expire on August 31, 2013.

**ENTER** this 11th day of March, 2008.

Stephen A. Andes, President

R. Joseph Haynes, Commissioner

Gary O. Tillis, Commissioner

IN THE COUNTY COMMISSION OF PUTNAM COUNTY, WEST VIRGINIA

County Commission of Putnam County, West Virginia, sitting in regular session this the 9th of September, 2003 does hereby RE-APPOINT Mr. Calvin L. Hatfield, 101 Vista Lane, Hurricane, WV 25526 to serve on the South Putnam Public Service District Board effective August 2003 with a term to expire on August 31, 2009.

ENTER this 9th day of September, 2003.

Absent
James H. Caruthers, Jr., President

James A. Withrow, Commissioner

Stephen A. Andes, Commissioner

IN THE COUNTY COMMISSION OF PUTNAM COUNTY, WEST VIRGINIA

The County Commission of Putnam County, West Virginia, sitting in regular session this the 30th day of August, 2005 does hereby RE-APPOINT Mr. Joe E. Miller, 3709 Cambridge Drive , Hurricane, West Virginia 25526 to serve on the South Putnam Public Service District Board, effective August 31, 2005 with a term to expire on August 31, 2011.

ENTER this 30th day of August, 2005.

Stephen A. Andes, President

James H. Caruthers, Jr., Commissioner

R. Joseph Haynes, Commissioner

# OFFICIAL OATH

STATE OF WEST VIRGINIA,

PUTNAM COUNTY, SS:

I, PAUL D. CALLAHAN, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of PUTNAM PUBLIC SERVICE DISTRICT BOARD EFFECTIVE MARCH 4, 2008 TO AUGUST 31, 2013 to the best of my skill and judgment, SO HELP ME GOD.

Subscribed and sworn to before me this 12TH day of MARCH,

2008.

Paul D. Callahan

Clerk
PUTNAM COUNTY COMMISSION
WINFIELD, WEST VIRGINIA

BY: _____ Deputy

EXHIBIT C

OFFICIAL OATH

STATE OF WEST VIRGINIA,

PUTNAM COUNTY, SS:

I, CALVIN L. HATFIELD do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

SOUTH PUTNAM PUBLIC SERVICE DISTRICT BOARD

(TERM: AUGUST 31, 2003 TO AUGUST 31, 2009)

to the best of my skill and judgement, SO HELP ME GOD.

Calvin L. Hatfield

Subscribed and sworn to before me this 17th day of September, 2003.

CLERK
Putnam County Commission,
Winfield, West Virginia

BY: _____ Deputy

STATE OF WEST VIRGINIA,
County of Putnam, to-wit:
I, MICHAEL W. ELLIOTT, Clerk of the County Commission of said County, do hereby certify that the foregoing writing was this day presented to me in my said office and together with the certificate thereto annexed, was duly admitted to record therein.

Given under my hand this 17th day of September 2003

Michael W. Elliott 11:31 AM Clerk

BOOK 010 PAGE 601

OFFICIAL OATH

STATE OF WEST VIRGINIA,

PUTNAM COUNTY, SS:

I, JOE E. MILLER do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

SOUTH PUTNAM PUBLIC SERVICE DISTRICT BOARD

(TERM: AUGUST 31, 2005 TO AUGUST 31, 2011)

to the best of my skill and judgement, SO HELP ME GOD.

Joe E. Miller

Subscribed and sworn to before me this 6th day of September, 2005.

Brenda L. Wood CLERK
Putnam County Commission,
Winfield, West Virginia

BY: J. Seibert Deputy

RULES OF PROCEDURE

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: SOUTH PUTNAM PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at 107 South Poplar Fork Road, Scott Depot, Putnam County, West Virginia.

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

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

ARTICLE II

PURPOSE

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

## ARTICLE III

## MEMBERSHIP

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

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

## ARTICLE IV

## MEETINGS OF THE PUBLIC SERVICE BOARD

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

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

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

## PUBLIC NOTICE OF MEETINGS

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

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

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

## ARTICLE V

## OFFICERS

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

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

## ARTICLE VI

## DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

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

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

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary

LEGAL ADVERTISEMENT

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered by the Public Service Commission of West Virginia, in the City of Charleston on the 9th day of May, 2008.

CASE NO. 08-0758-PSD-CN

PUTNAM PUBLIC SERVICE DISTRICT

Application for a certificate of convenience and necessity for the construction, operation and maintenance of a sewer system upgrade in the Teays Valley area of the District's service territory and for approval of financing related thereto.

NOTICE OF FILING

WHEREAS, on May 9th, 2008, Putnam Public Service District filed an application, duly verified, for a certificate for the construction, operation and maintenance of a sewer system upgrade in the Teays Valley area of its service territory which will result in the extension of sewer service to 27 customers. The District's application further-seeks approval of financing related thereto. The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

WHEREAS, the Putnam Public Service District estimates that the total construction costs for the proposed project is $4,520,000.00. The cost will be financed through a $4,520,000 loan from the USDA Rural Utilities Service for a term of 38 years at an interest rate of 4.25%.

WHEREAS, the utility is not seeking a rate increase as a result of the proposed project. The District's current sewer rates, set forth in P.S.C. W.Va. Tariff No. 5, are on file with the Commission.

Putnam Public Service District has no sewer resale customers.

With the additional sewer customers, the proposed project will produce an average of approximately $18,801, annually in additional revenue, an increase of .31990%.

Pursuant to §24-2-11, West Virginia Code, IT IS ORDERED that the Putnam Public Service District give notice of the filing of said application, by publishing a copy of this order once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Putnam County, making due return to this Commission of proper certification of publication immediately after publication. Anyone desiring to protest or intervene should file a written protest or notice of intervention within 30 days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or intervene can affect your right to protest aspects of this certificate cases including any associated rate increases; or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or intervention. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and interventions should be addressed to Sandra Squire, Executive Secretary, Post Office Box 812, Charleston, West Virginia 25323.

IT IS FURTHER ORDERED that if no protests are received within said thirty (30) day period, the Commission may waive formal hearing and grant the application based on the evidence submitted with said application and its review thereof.

Sandra Squire
Executive Secretary

5-15-1t

1900

COOKIE ALLEN
PUBLISHER

PHONE 304-562-9881

# THE HURRICANE BREEZE

THE WEEKLY NEWSPAPER FOR ALL OF PUTNAM COUNTY

488 HURRICANE CREEK ROAD
P.O. BOX 310
HURRICANE, WEST VIRGINIA 25526

RECEIVED
08 MAY 21 PM 1:41
W VA PUBLIC SERVICE COMMISSION SECRETARY'S OFFICE

## CERTIFICATE OF PUBLICATION

STATE OF WEST VIRGINIA,
COUNTY OF PUTNAM, To wit:

This day personally appeared before me, a Notary Public of said County of Putnam,.....Ron.Allen.....of The Hurricane Breeze, and after being duly sworn deposes and says that the attached legal publication was duly published in The Hurricane Breeze for.. One..(1) consecutive issues, in its issues dated .... May 15, 2008..

The Hurricane Breeze

Subscribed and sworn to before me this..16th.....day of..... May....., 2008...

Notary Public

OFFICIAL SEAL
STATE OF WEST VIRGINIA
NOTARY PUBLIC
RETHA A. LEMON
ROUTE 3 BOX 3
HURRICANE, WV 25526
My Commission Expires Jan. 28, 2018

# PUTNAM PUBLIC SERVICE DISTRICT
## Regular Meeting of the PSD Board
## 22 January 2009

# MINUTES

Chairman Joe Miller called to order the regular meeting of the PSD Board with Board members Calvin Hatfield and Paul Callahan present. Staff members present included Mike McNulty, David Mercer, and Donnie Turner.

### RECOGNITION OF GUESTS
Individuals present for professional obligations will be addressed under the designated agenda item.

### ORGANIZATION OF BOARD / ELECTION OF OFFICERS
Calvin Hatfield made the motion to elect Joe Miller to serve as Chairman, Paul Callahan as Secretary, and Calvin Hatfield as Treasurer. Paul Callahan seconded the motion that was approved by unanimous vote.

### MINUTES OF PREVIOUS MEETING
Calvin Hatfield made the motion approving the Minutes of the January 8, 2009 regular meeting of the PSD Board that were provided to the Board prior to the meeting for review. Paul Callahan seconded the motion that was approved by unanimous vote.

### FINANCIAL REPORT & PAYMENT OF REQUISITIONS
A status report of the District's bank accounts was provided to the Board for review and discussion.

Requisition #866 in the amount of $146,916.66 was presented to the Board for approval; and Requisition #867 in the amount of $53,111.68 was presented to the Board for approval.

Following review, Calvin Hatfield made the motion approving the Requisitions as presented for payment. Paul Callahan seconded the motion that was approved by unanimous vote.

### CUSTOMER ADJUSTMENT REQUESTS
Mr. McNulty presented the customer adjustment requests as outlined below.

| Name/Address | Water | Sewer | Action |
|---|---|---|---|
| Cindy & James Burdette<br>32 Poplar Hills | --- | $63.04 | Approved |
| August Zinkle<br>114 Teays Meadows | $14.29 | $34.82 | Approved |
| Ms. Paul Helvy<br>104 Country Side Est. | $15.44<br>$10.81 | $37.64<br>$30.60 | Approved |
| Kathryn Walker<br>124 Weather Ridge Dr. | $7.72 | $18.82 | Approved |

| | | | |
|---|---|---|---|
| Hurricane Builders<br>115 Rustic Highlands | $287.30 | $749.70 | Approved |
| Staci Jones<br>30 Thoroughbred Rd. | $101.16 | --- | Approved |
| Carisa Birscoe<br>1810 Harmons Br. Rd. | $381.68 | --- | Approved |
| Danyelle Proctor<br>160 Church Camp Rd. | $23.93 | $58.34 | Approved |
| Juanita Bebord<br>2307 Joy Ln | --- | $24.47<br>$29.17 | Approved |
| Ronald C. Lilly<br>2203 Lily Dr. | --- | $356.64 | Approved |
| Kenneth Rooper<br>11 Lee Circle | --- | $192.91 | Approved |
| Charles McElfish<br>305 Teays Meadows | $49.41 | --- | Approved |
| James Wtihrow<br>107 McCloud Road | $160.66 | --- | Approved |
| Ernie Vecchil<br>447 Poplar Fork Rd. | $38.60<br>$136.66 | --- | Approved |
| Virginia Bennett<br>308 Teays Lane | $4.63 | --- | Approved |
| David Thomas<br>20 Lake Chadesa Dr. | $123.50 | $310.53 | Approved |
| Charlton Raines<br>146 Hamon Dr. Lot 7 | $13.51 | $32.94 | Approved |

Following review, Calvin Hatfield made the motion approving the customer adjustment requests as presented. Paul Callahan seconded the motion that was approved by unanimous vote.

## OLD BUSINESS

### WVDOH Projects

Staff updated the Board on the status of current highway projects. E.L. Robinson Engineering Company hasn't received an estimate from Kokising for extending the sewer line along Rt. 34.

### Kanawha Valley / Midway Sewer Projects

Mr. Mercer reported that he is still waiting on USDA RUS for permission to spend the remaining contingency money left in the project.

Staff presented Engineering Amendment No. 9 in the amount of $1,990.00 for services related to bidding materials and equipment.

Following discussion, Calvin Hatfield made the motion to approve Amendment No. 9 in the amount of $1,999.00. Paul Callahan seconded the motion that was approved by unanimous vote.

**Water System Improvement Project**
Mr. Mercer reported that he is still waiting on USDA RUS for permission to spend the remaining contingency money left in the project.

*Contract No. 02*
Mr. McNulty reported that he has not received a response from Carl Fletcher, Esq., concerning his letter in response to Stonegate's claim for damages.

**Red House Collectors Project**
*Project Finances*
Staff presented Change Order No. 3relating to the final adjusting of quantities for the **Red House Collectors Project** and authorizing payment in the amount of $46,328.52 and authorizing the Chairman to sign the Estimate on behalf of the District.

Following review, Calvin Hatfield made the motion to approve Change Order No. 3 relating to the final adjusting of quantities for the **Red House Collectors Project** and authorizing payment in the amount of $46,328.52 as presented and authorizing the Chairman to sign on behalf of the District. Paul Callahan seconded the motion that was approved by unanimous vote.

Calvin Hatfield made the motion to authorize Michael McNulty, General Manager to sign the Change Order. Paul Callahan seconded the motion that was approved by unanimous vote.

**Vintroux Hollow Sewer Project & Maintenance Building Project**
Staff informed the Board that notices would be delivered beginning January 23rd that sewer service is now available.

*Project Finances*
Staff presented Change Order No.2 relating to construction and other services for the **Vintroux Hollow Sewer Project & Maintenance Building Project** and authorizing payment in the amount of $244,067.80 and authorizing the Chairman to sign the Estimate on behalf of the District.

Following review, Calvin Hatfield made the motion to approve Change Order No. 2 for the **Vintroux Hollow Sewer Project & Maintenance Building Project** in the amount of $244,067.80 presented and authorizing the Chairman to sign on behalf of the District. Paul Callahan seconded the motion that was approved by unanimous vote.

Calvin Hatfield made the motion to authorize Michael McNulty, General Manager to sign the Change Order above Resolution. Paul Callahan seconded the motion that was approved by unanimous vote.

**Vintroux Hollow Water Project & Maintenance Building Project**
Staff updated the Board on the status of the project.

**Teays Hollow Sewer Project**
Staff updated the Board on the Status of the project.

**Hometown Sewer Plant Upgrade Project**
Staff presented the Request for Partial Substantial Completion for the completed mechanical portion of the project.

Following discussion, Calvin Hatfield made the motion to authorize the Chairman to sign the Request for Partial Substantial Completion on behalf of the District. Paul Callahan seconded the motion that was approved by unanimous vote.

**Jamestown Subdivision / Cow Creek Sewer Extension**
Staff presented Resolution No. 15 for the **Jamestown Subdivision / Cow Creek Sewer Extension** in the amount of $317.64 for project related items.

Following discussion, Calvin Hatfield made the motion to approve Resolution No. 15 in the amount of $317.64. Paul Callahan seconded the motion that was approved by unanimous vote.

**Water Treatment Plant Pre-Sedimentation Basin Project**
Staff updated the Board on the Status of the project.

**City of Hurricane**
Staff updated the Board on the Status of the True-Up and that no contact has been made by the City in regards to a water purchase agreement.

## NEW BUSINESS

**Developer Plans**
No plans were presented.

## OTHER BUSINESS

No other business was presented.

## EXECUTIVE SESSION

At 8:30 pm, Calvin Hatfield made the motion to recess the regular meeting and enter into executive session for the purpose of discussing personnel matters. Paul Callahan seconded the motion that was approved by unanimous vote.

At 8:50 pm, Calvin Hatfield made the motion to reconvene the regular meeting. Paul Callahan seconded the motion that was approved by unanimous vote.

**ADJOURNMENT**

There being no further business, Calvin Hatfield made the motion to adjourn the regular meeting at 9:00 pm. Paul Callahan seconded the motion that was approved by unanimous vote.

Joe E. Miller, Chairman

Calvin L. Hatfield, Treasurer

Paul D. Callahan, Secretary

PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

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

The undersigned acting SECRETARY of Putnam Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service District:

*** *** ***

Putnam Public Service District met in special session, pursuant to notice duly posted, on the 24th day of June, 2009, in Putnam County, West Virginia, at the hour of 8:30 a.m.

| | | | |
|---|---|---|---|
| PRESENT: | Joe E. Miller | - | Chairman |
| | Calvin L. Hatfield | - | Treasurer |

Joe E. Miller, Chairman, presided. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

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

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $4,520,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2009 A (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.

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

Next, the Chairman presented a proposed Supplemental Resolution titled

SUPPLEMENTAL RESOLUTION RELATING TO THE SERIES 2009 A BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2009 A BONDS AND MAKING OTHER PROVISIONS AS TO THE BONDS.

designating Calvin Hatfield as acting Secretary for the purposes of executing documents relating to the Bonds. Thereupon, on motion duly made by Calvin Hatfield and seconded by Joe Miller, it was unanimously ordered that the said Supplemental Resolution be adopted.

Next, the Chairman presented a proposed Draw Resolution for the approval of invoices. Thereupon, on motion duly made by Calvin Hatfield and seconded by Joe Miller, it was unanimously ordered that the said Draw Resolution be adopted.

*** *** ***

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

[Remainder of Page Intentionally Blank]

CERTIFICATION

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

WITNESS my signature on this 26th day of June, 2009.

Secretary

06.18.09
847280.00014

**WV MUNICIPAL BOND COMMISSION**
1207 Quarrier Street
Suite 400
Charleston, WV 25301
(304) 558-3971

**NEW ISSUE REPORT FORM**

Date of Report: 6/26/2009

ISSUE: Putnam Public Service District
Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture)

ADDRESS: Post Office Box 860, Scott Depot, West Virginia 25560 COUNTY: Putnam

PURPOSE OF ISSUE:
New Money: x
Refunding:

REFUNDS ISSUE(S) DATED: NA

ISSUE DATE: 6/26/2009
CLOSING DATE: 6/26/2009
ISSUE AMOUNT: $4,520,000.00
RATE: 4.25%
1ST DEBT SERVICE DUE: N/A
1ST PRINCIPAL DUE N/A
1ST DEBT SERVICE AMOUNT N/A
PAYING AGENT: Municipal Bond Commission

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

UNDERWRITERS COUNSEL
Firm:
Contact:
Phone:

CLOSING BANK:
Bank: Putnam County Bank
Contact: Jerry Brown
Phone: 304.562.9931

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: Mike McNutly
Position: General Manager
Phone: (304) 757.6551

OTHER:
Agency: United States Department of Agriculture
Contact: Tracey Rowan
Position: State Director
Phone: (304) 284-4860

DEPOSITS TO MBC AT CLOSE
By: Wire / Check

| | | |
|---|---|---|
| Accrued Interest: | $ | |
| Capitalized Interest: | $ | |
| Reserve Account: | $ | |
| Other: | $ | |

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: Wire / Check / IGT

| | | |
|---|---|---|
| To Escrow Trustee | $ | |
| To Issuer | $ | |
| To Cons. Invest. Fun | $ | |
| To Other: | $ | |

NOTES: Monthly debt service payments will be made by the District directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2009 A Reserve Account. The first payment into the Reserve Account will commence 24 months following the date hereof.

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

# State of West Virginia

## OFFICE OF ENVIRONMENTAL HEALTH SERVICES

CAPITOL and WASHINGTON STREETS 1 DAVIS SQUARE, SUITE 200 CHARLESTON, WEST VIRGINIA 25301
TELEPHONE 304-558-2981

## PERMIT

(Sewer)
**PROJECT:** Putnam PSD Sewer Improvements **PERMIT NO.:** 17,891

**LOCATION:** Scott Depot **COUNTY:** Putnam **DATE:** 2-25-2008

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

**Putnam Public Service District**
**P. O. Box 860**
**Scott Depot, West Virginia 25560**

is hereby granted approval to: install approximately 6,150 LF of 8" and 2,396 LF of 24" sewer line; necessary manholes and cleanouts; one (1) 1,542 G.P.M. duplex submersible sewage pump station; approximately 9,545 LF of 16" force main; and install new electrical equipment, control panels and flow meters at six (6) existing sewage pump stations.

Facilities are to replace existing deteriorated force main, add additional interceptor sewers, upgrade existing sewage pump stations and provide sewer service to 27 customers in the Teays Hollow Road area in the Putnam Public Service District.

NOTE: **This permit is contingent upon maintaining a minimum ten (10) feet horizontal separation between sewer and water lines and a minimum 18" vertical separation between crossing sewer and water lines, with the water line to be over the sewer line.**

The Environmental Engineering Division of the St. Albans District Office (304) 722-0611 is to be notified when construction begins.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR

William S. Herold, Jr., P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

WSH: emt

pc: E. L. Robinson Engineering Co.
Katheryn Emery, P.E., DEP
James W. Ellars, P.E.
Amy Swann, PSC
Putnam County Health Department
OEHS-EED St. Albans District Office

**RUS BULLETIN 1780-27**
(Automated 8-97

FORM APPROVED
OMB. No. 0575-0015

# LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE **Board of Directors**

OF THE **Putnam Public Service District**

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

**Sewer**

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

WHEREAS, it is necessary for the **Putnam Public Service District**
*(Public Body)*

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

**FOUR MILLION FIVE HUNDRED TWENTY THOUSAND AND XX / 100 DOLLARS ($4,520,000.00)**

pursuant to the provisions of **Chapter 16 Article 13A, West Virginia Code** ; and

**WHEREAS**, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning. financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

**NOW THEREFORE**, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of $10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

*Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.*

11. To acquire and maintain such ance and fidelity bond coverage as may be require the Government.
12. To establish and maintain such ooks and records relating to the operation of the facili, and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed **$ 0.00**

under the terms offered by the Government; that **Chairman**

and **Secretary** of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the **Board of Directors** of the

**Putnam Public Service District** has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 12th day of September, 2007

**Putnam Public Service District**

(SEAL)

By Joe E. Miller

Attest: Calvin L Hatfield

Title **Chairman**

**Calvin Hatfield**

Title **Secretary/Treasurer**

# CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Secretary of the Putnam Public Service District

hereby certify that the Board of Directors of such Association is composed of

3 members, of whom 2 constituting a quorum, were present at a meeting thereof duly called and

held on the 26th day of June, 2009; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of June 26, 2009,

the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this 26th day of June, 2009

Title Secretary/Treasurer

PUTNAM PUBLIC SERVICE DISTRICT

Putnam Public Service District
Sewer Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of Putnam County Bank, Hurricane, West Virginia (the "Bank"), hereby certify that on June 26, 2009, the Bank received an automated transfer in the amount of $266,835 to the credit of the Series 2009 A Construction Trust Fund, Account Number 1504737, for the Series 2009 A Bonds.

WITNESS my signature on this 26th day of June, 2009.

PUTNAM COUNTY BANK

By: _____
Its: Authorized Officer

06.18.08
847280.00014

# CLOSING MEMORANDUM

**To:** **Financing Team**

**From:** **John C. Stump, Esquire**

**Date:** **June 26, 2009**

**Re:** **Putnam Public Service District, Sewer Revenue Bonds, Series 2009 A (United States Department of Agriculture)**

---

## 1. DISBURSEMENTS TO THE PUTNAM PUBLIC SERVICE DISTRICT

A.

| | |
|---|---|
| Payor: | United States Department of Agriculture |
| Amount: | $266,835 |
| Form: | ACH |
| Payee: | Putnam Public Service District |
| Bank: | Putnam County Bank |
| Contact: | Jerry Brown, 304.562.9931 |
| Acct. No.: | 1504737 |
| ABA: | 051502858 |
| Account: | Series 2009 A Bonds Construction Trust Fund |

**TEAYS HOLLOW SEWER**

**RESOLUTION OF THE PUTNAM PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO CONSTRUCTION AND OTHER SERVICES FOR THE PROPOSED SEWER PROJECT AND AUTHORIZING PAYMENT THEREOF,**

**WHEREAS**, the Putnam Public Service District, has reviewed the invoices attached hereto and incorporated herein by reference relation to the construction of the Teays Hollow Sewer Project funded by the United States Department of Agriculture (USDA) and find as follows:

a) That none of the items for which payment is proposed to be made has formed the basis for any disbursement theretofore made.

b) That each item for which the payment is proposed to be paid is or was necessary in connection with the Project and constitutes a Cost of the project.

c) That each of such costs has been otherwise properly incurred.

d) That the payment for each of the items proposed is due and owing.

**NOW, THEREFOR, BE IT RESOLVED** Putnam Public Service District by as follows: There is hereby authorized and directed the payment of the attached invoices as follows:

| Vendor | Total | USDA |
|---|---|---|
| Putnam PSD | 212,664.52 | 212,664.52 |
| Steptoe & Johnson (Bond Counsel) | 29,500.00 | 29,500.00 |
| EL Robinson | 24,670.00 | 24,670.00 |
| | | |
| | | |
| Total | 266,834.52 | 266,834.52 |

**ADOPTED BY the Putnam Public Service District**, at the meeting held on the ____ day of _____, 2009

By: _____

Its: Chairman

By: _____
USDA Representative

Date: 6/24/09

847280.00014

# WASTEWATER SEWER SERVICE AGREEMENT

THIS AGREEMENT, made this 14th day of April, 2003, by and between the CITY OF NITRO, West Virginia, a municipal corporation, and CITY OF NITRO REGIONAL WASTEWATER UTILITY, formerly referred to as THE SANITARY BOARD OF THE CITY OF NITRO, WEST VIRGINIA (hereinafter collectively referred to as "NITRO") and SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation, (hereinafter referred to as "DISTRICT").

## WITNESSETH

WHEREAS, NITRO is responsible for the operation of a wastewater collection system and treatment plant (hereinafter referred to as "Nitro Plant"); and

WHEREAS, the DISTRICT is planning to provide wastewater collection system (excluding treatment services) services to its customers on the western side of Kanawha River located within its territorial boundaries as set forth by Orders of the Putnam County Commission (See Exhibit A); and

WHEREAS, the DISTRICT will charge certain rates and charges for the (excluding Treatment services) wastewater collection services provided to its customers throughout its service territory, including those customers located on the western side of Kanawha River; and

WHEREAS, NITRO's Plant has adequate design capacity to receive the anticipated wastewater discharge from the DISTRICT and NITRO agrees to reserve an adequate portion of its Plant's capacity for use by the DISTRICT, subject to the terms set forth herein; and,

WHEREAS, the DISTRICT desires to connect to Nitro's Plant and to be provided

with secondary, or higher when required by WVDEP and/or USEPA, treatment of wastewater delivered to the Plant by the DISTRICT.

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

## ARTICLE I.

## AGREEMENT OF PARTIES

A. NITRO

1. NITRO shall receive, treat and dispose of the DISTRICT's wastewater flow and shall maintain responsibility for discharge of treated wastewater in conformance and compliance with the applicable state and federal statutes, rules, and regulations, present and future.

2. NITRO shall make charges to the DISTRICT for such service in accordance with the provisions of Article IV below.

B. DISTRICT

1. The DISTRICT shall cause to be designed and constructed, at its own expense, a wastewater collection system within its boundaries sufficient to collect and transport its wastewater to designated points in the Nitro Plant. Said construction is contingent upon the availability to the DISTRICT of loan or grant financing from federal, state and/or county agencies upon such terms which, in its sole discretion, are acceptable to the DISTRICT. The DISTRICT shall retain full title to and ownership of its wastewater collection system constructed or upgraded by it.

2. The DISTRICT, if necessary, shall adopt and enforce sewer use ordinances as may be required to restrict or prohibit discharge of wastes which would be determined by NITRO to be harmful to the condition or performance of the Nitro

Plant or which would cause additional cost to treat such wastes over and above those expected for normal wastewater treatment.

3. The DISTRICT shall, subject to the approval of the Public Service Commission of West Virginia, pay NITRO the wastewater service charges calculated in accordance with Article IV below.

4. The DISTRICT shall cause the wastewater collected by it in the area of Teays Valley lying to the East of Crooked Creek, and in the Kanawha River watershed beginning at the Putnam/Kanawha County line extending down river to the area south of Hamrick Ranch along Route 35 to be treated only by NITRO during the term of this Agreement. The flow delivered by the DISTRICT to NITRO will be from residential, small business, commercial, authorized industrial, and all other customers which are connected to and served by the DISTRICT.

5. The DISTRICT may build or acquire treatment plants as it deems appropriate to meet the needs of its customers and its duty to extend service so long as flows from that area set forth in the foregoing Paragraph No. 4 are sent to NITRO for treatment in such limited wastewater flow per day as herein set forth.

C. ANNUAL MEETING.

1. NITRO and the DISTRICT agree that at least once during each fiscal year, the parties to this Agreement shall schedule a specifically designated meeting for the purpose of discussing business, rates, communications, complaints, suggestions and any related matters. Said meeting shall occur at a date mutually convenient to both parties and shall be scheduled at a mutually convenient time and place.

2. Should circumstances arise during the fiscal year, the parties hereto may

schedule additional meetings between each other to address matters.

## ARTICLE II.

## PLANT CONDITIONS

Nitro shall receive, treat and dispose of the DISTRICT's wastewater flow not to exceed 250,000 gallons per day at a maximum pumping rate of 1000 gallons per minute. When headworks of the treatment plant require an upgrade, the DISTRICT shall pay its proportionate share toward the cost of the upgrade. NITRO shall maintain responsibility for discharge of treated wastewater in accordance with the applicable State and Federal laws and regulations. The DISTRICT shall not be liable for fines or penalties as a result of discharge violations resulting from improper operation of the Plant; however, the DISTRICT shall be liable for any fine and/or penalty incurred as a result of discharge violations occurring at the Plant that are a direct result of the introduction of prohibited materials into the DISTRICT's collection system. The DISTRICT shall not exceed the limitation of wastewater per day into NITRO's wastewater treatment without prior approval of NITRO.

## ARTICLE III.

## WASTEWATER FLOW; METER REQUIREMENTS

The DISTRICT's wastewater is to be metered by a flow meter installed on the force main of the DISTRICT's system immediately before it discharges into Nitro's Plant. This meter shall be referred to as the "Nitro Plant Meter" as it will be located on the Nitro Plant premises. The DISTRICT shall be responsible for all costs associated with the installation of the flow meter. The DISTRICT may, at its own expense, install, connect, maintain and operate a recorder in its office to receive simultaneous flow records from

the Nitro Plant Meter to compare flow rates from the DISTRICT'S Nitro lift station located on the western side of the Kanawha River. If either meter is inaccurate by more than two percent (2%), the DISTRICT shall recalibrate the meters based upon a drawdown calculation at the NITRO lift station and the readings of the Nitro Plant Meter shall be corrected for the two (2) months previous to such test in accordance with the percentage of inaccuracy found by such test. Before the Nitro Plant Meter is calibrated, both NITRO and the DISTRICT must be aware of such calibration.

## ARTICLE IV.

## RATES AND CHARGES

The ~~rate~~ charges for treatment of the DISTRICT's wastewater by NITRO will be based upon the reading of the NITRO plant meter by NITRO personnel.

1. NITRO will bill the DISTRICT for two items excluding costs for expansion as set forth in Paragraph C herein: a.) In consideration of the 250,000 gallons per day reserve capacity set aside for the DISTRICT, NITRO will charge the DISTRICT the debt service associated with that portion of the Treatment Plant's capacity. Such charge shall be billed as debt payment as set forth in **Exhibit B.** b.) The portion of the plant that is utilized by the District will be billed to the DISTRICT as O & M on a per 1,000 gallons basis as set forth in **Exhibit B.**

A. After the first anniversary of the commencement of wastewater treatment services rendered pursuant hereto, and annually thereafter, NITRO's Accountant shall calculate, on a per 1,000 gallons basis, the amount that would have been necessary during the preceding year to provide total revenues from THE DISTRICT sufficient to pay THE DISTRICT'S

proportionate share of the actual cost of operation and maintenance of the NITRO Wastewater Plant plus the DISTRICT'S proportionate share of the debt payment on the unused portion of the DISTRICT'S reserve capacity at the NITRO Wastewater Treatment Plant. The rates for service shall be on a three (3) year rolling average of the DISTRICT'S share of cost.

(1) The amount calculated pursuant to this Subparagraph, on a 1,000 gallons basis, shall then be the rate to be charged by NITRO and to be paid by the DISTRICT during the next succeeding year and until the next annual review and recalculation.

(2) In addition, the amount calculated pursuant to Subparagraph A. shall be applied retroactively to the bills for service rendered during the preceding year, and an appropriate adjustment shall be made either by refunding to the DISTRICT the amount of any overpayment or by paying to NITRO the amount of any underpayment. Said adjustment can be spread over a period of up to twelve months, so long as the total amount is paid within the same fiscal year. The determination as to whether the payment will be paid over a period of months will be solely the responsibility of the party that is required to make the adjustment.

B. Bills will be rendered each calendar month by NITRO to the DISTRICT for the services rendered by NITRO during the preceding calendar month, and each such bill shall be payable at the office of NITRO

on or before the fifteenth (15th) day after the date of such bill.

C. In the event that NITRO's excess capacity is eighty percent (80%) committed as to use while this Agreement is in effect, then, and in such event, DISTRICT agrees to bear its pro-portionate pro-rata share of expansion costs to increase capacity through new construction. The extend of the DISTRICT's share of such expansion costs will be determined on the basis of the DISTRICT's demand for additional capacity. Such expansion costs shall be payable by DISTRICT as a long term debt under such terms as NITRO may incur to pay for such expansion costs.

2. The parties hereto shall, upon request, provide the other with an annual audit approved by the Public Service Commission of West Virginia or in Nitro's instance, the audit by the State Tax Department and related information as may be required.

## ARTICLE V.

## INDEMNIFICATION

The DISTRICT will obtain adequate insurance and shall keep in force, pay, and will protect indemnify and hold NITRO harmless from and against all liabilities, losses, damages, costs arid expenses, including attorneys fees and expenses of NITRO, causes of actions, suits, claims, demands, and judgments of any nature arising from:

(1) Any injury to or death of any person or damage to property in or upon the DISTRICT'S property or facilities, or growing out of or connected with the use, nonuse, condition or occupancy of the said DISTRICT'S property or facilities or a part thereof; such injuries and/or damage shall include any

and all injuries or damage which may occur due to any failure or malfunction of the DISTRICT'S lift stations caused by any flood, hail storm, windstorm, Act of God, and any and all unprecedented meteorological events; any repairs, construction or alterations or remodeling thereto as performed by the DISTRICT, their authorized agents or servants, excluding NITRO or its agents or servants, or the condition of the DISTRICT'S property or facilities including sidewalks, streets or alleys arid any equipment or facilities at any time located on the DISTRICT'S property or under the DISTRICT'S control and use in connection herewith.

It is the intent of this paragraph that neither party will subsidize the other's capital or operation and maintenance expenses and that all parties shall mutually benefit from this Agreement.

In the event the DISTRICT fails to perform any other term, obligation, or condition of this Agreement, the result of which is likely to cause irreparable harm or injury to NITRO facilities or otherwise constitute an emergency situation and the DISTRICT fails to correct such condition or default within thirty (30) days, unless a shorter time is deemed necessary by NITRO, after written notice by NITRO specifying such default, then NITRO shall have the right to undertake such corrective action and the DISTRICT shall be responsible for all costs and expenses incurred by NITRO or shall reimburse NITRO for such costs and expenses.

NITRO shall have the right to perform on-site inspections of the construction process on the portion of the DISTRICT'S collection system which will send wastewater to the Plant.

The DISTRICT shall be responsible for the performance of services, maintenance, and repairs on and for the DISTRICT'S wastewater collection and transportation system.

## ARTICLE VI.

## APPROVAL OF PUBLIC SERVICE COMMISSION

It is understood that this Agreement is subject to approval by the Public Service Commission of West Virginia and the parties hereto agree to cooperate in submitting a petition to the Commission for approval of this Agreement in accordance with the rules and regulations promulgated by said Commission and the pertinent laws of the State of West Virginia. In the event such approvals cannot be obtained for this Agreement as executed by the parties, then the parties agree to make a good faith effort to renegotiate such portions of the Agreement for which approval cannot be obtained.

## ARTICLE VII.

## MODIFICATION

This Agreement may be modified by amendment mutually acceptable to and agreed upon by all of the parties to this Agreement, provided that any such amendment is approved, ratified, and confirmed by ordinance adopted by the City Council of Nitro.

## ARTICLE VIII.

## TERM

This Agreement shall remain in full force and effect for a period of forty (40) years. Unless written notice of an intention not to renew is received sixty (60) days prior to the expiration of the period, this Agreement shall be automatically reviewed on the same terms and conditions for succeeding terms of fifteen (15) years.

## ARTICLE IX.

## SUCCESSION OF ASSIGNMENT

This Agreement shall be binding upon and its benefits shall inure to the successors or assigns of the parties hereto and any sale or transfer by the parties hereto of all or any portion of their respective sewage collection and/or treatment systems shall be made in such manner so that the rights of the parties to this Agreement shall be fully preserved and perpetuated.

IN WITNESS WHEREOF, the parties hereto have made and executed this SEWER SERVICE AGREEMENT by their appropriate officers as of the day and year first above written.

THE CITY OF NITRO

By: _____
Its: Mayor

ATTEST:

_____
Its: Clerk

CITY OF NITRO REGIONAL WASTEWATER UTILITY

By: _____
Its: Chairman

ATTEST:

_____
Its: General Manager

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

By: _____

Its: Chairman

ATTEST:

Its: ~~Secretary~~ GENERAL MANAGER

STATE OF WEST VIRGINIA,
COUNTY OF Putnam, to-wit:

I, Jason E. Henderson, a Notary Public in and for said state and county, do hereby certify that Rusty Casto, whose name is signed to the writing above in his capacity as Mayor of the CITY OF NITRO, has this day acknowledged the same before me on this 14 day of April, 2003.

OFFICIAL SEAL
NOTARY PUBLIC, STATE OF WEST VIRGINIA
JASON E. HENDERSON
SOUTH PUTNAM PSD
P. O. BOX 147
SCOTT DEPOT, WV 25560
My Commission Expires March 18, 2012

NOTARY PUBLIC

My commission expires 3-18-2012

STATE OF WEST VIRGINIA,
COUNTY OF Putnam, to-wit:

I, Jason E. Henderson, a Notary Public in and for said state and county, do hereby certify that Rusty Casto, whose name is signed to the writing above in his capacity as Chairman of the CITY OF NITRO REGIONAL WASTEWATER UTILITY, has this day acknowledged the same before me on this 14 day of April, 2003.

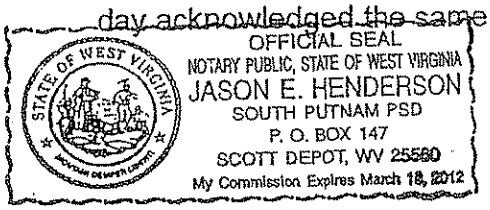
OFFICIAL SEAL
NOTARY PUBLIC, STATE OF WEST VIRGINIA
JASON E. HENDERSON
SOUTH PUTNAM PSD
P. O. BOX 147
SCOTT DEPOT, WV 25560
My Commission Expires March 18, 2012

NOTARY PUBLIC

My commission expires 3-18-2012

STATE OF WEST VIRGINIA,
COUNTY OF PUTNAM, to-wit:

I, JASON E. HENDERSON, a Notary Public in and for said state and county, do hereby certify that Leff Moore, whose name is signed to the writing above in his capacity as Chairman of the South Putnam Public Service District, has this day acknowledged the same before me on this 14 day of APRIL 2003.




NOTARY PUBLIC

My commission expires 3-18-2012

# EXHIBIT A

[BECAUSE THE AGREEMENT HAS PREVIOUSLY BEEN FILED WITH THE COMMISSION AND IS OF RECORD IN CASE NO. 05-1146-PSD-CN, AND THE SIZE OF EXHIBIT A CONTAINING VARIOUS RESOLUTIONS ADOPTED BY PUTNAM COUNTY COMMISSION ESTABLISHING DISTRICT BOUNDARIES, EXHIBIT A IS NOT INCLUDED IN THIS FILING. IF STAFF REQUESTS, A COPY OF EXHIBIT A TO THE AGREEMENT WILL BE PROVIDED]

**Nitro Regional Wastewater Utility**
P.O. Box 607, Nitro, WV 25143
Phone: (304) 755-3669 • Fax: (304) 755-1382
*Chairman: Rusty Casto*
*General Manager: Danny Lewis*

## EXHIBIT B

1. Wastewater Treatment Charge.

   The South Putnam Public Service District shall pay $1.13 per 1000 gallon wastewater flow metered and treated at the Nitro Regional Wastewater Utility.

2. Annual Debt Payment.

   The South Putnam Public Service District shall pay $23,582 per year annual debt portion of the Nitro Regional Wastewater Utility for reserve capacity at the Nitro plant.

ORIGINAL

# NITRO REGIONAL WASTEWATER UTILITY

## BULK RATE

APRIL 14, 2003

Ralph W. Laton
Certified Public Accountant
Post Office Box 340
Hurricane, WV 25526

NITRO REGIONAL WASTEWATER UTILITY
SEWER OPERATING EXPENSES

| | Per Books FYE 6/30/02 | Going Level Adjustments | Going Level | Direct Allocation Adjustments | Allocated Expenses | Indirect Allocation Adjustments | Total Allocated Expenses |
|---|---|---|---|---|---|---|---|
| **COLLECTING EXPENSES** | | | | | | | |
| Operation Supervision and Engineering | 0 | | 0 | 10,134 (4) | 10,134 | | 10,134 |
| Operation Labor | 69,777 | | 69,777 | | 69,777 | | 69,777 |
| Supplies and Expenses | 4,909 | | 4,909 | | 4,909 | | 4,909 |
| Maint. of Service Connections & Traps | 19,325 | | 19,325 | | 19,325 | | 19,325 |
| Maint. of Collecting and Transmission Mains | 454 | | 454 | | 454 | | 454 |
| Maint. of Other Collecting System Equipment | 3,626 | | 3,626 | | 3,626 | | 3,626 |
| Rents | 1,791 | | 1,791 | | 1,791 | | 1,791 |
| Injuries and Damages/WC | 0 | | 0 | 4,420 (5) | 4,420 | | 4,420 |
| Medical Insurance | 0 | | 0 | 20,240 (6) | 20,240 | | 20,240 |
| Administrative & General | 0 | | 0 | | 0 | 32,800 (7) | 32,800 |
| Total Collecting Expenses | 99,882 | 0 | 99,882 | 34,794 | 134,676 | 32,800 | 167,476 |
| **PUMPING EXPENSES** | | | | | | | |
| Operation Supervision and Engineering | 0 | | 0 | 5,525 (4) | 5,525 | | 5,525 |
| Operation Labor | 38,022 | | 38,022 | | 38,022 | | 38,022 |
| Power and Fuel | 36,487 | | 36,487 | | 36,487 | | 36,487 |
| Supplies and Expenses | 10,953 | | 10,953 | | 10,953 | | 10,953 |
| Maint. of Structures and Improvements | 691 | | 691 | | 691 | | 691 |
| Maint. of Pumping Equipment | 6,422 | | 6,422 | | 6,422 | | 6,422 |
| Maint. of Power Pumping Equipment | 3,787 | | 3,787 | | 3,787 | | 3,787 |
| Maint. of Other Pumping System Equipment | 91 | | 91 | | 91 | | 91 |
| Injuries and Damages/WC | | | 0 | 2,407 (5) | 2,407 | | 2,407 |
| Medical Insurance | | | 0 | 10,211 (6) | 10,211 | | 10,211 |
| Administrative & General | 0 | | 0 | | 0 | 27,910 (7) | 27,910 |
| Total Pumping Expenses | 96,453 | 0 | 96,453 | 18,143 | 114,596 | 27,910 | 142,506 |
| **TREATMENT AND DISPOSAL EXPENSES** | | | | | | | |
| Operation Supervision and Engineering | 1,441 | | 1,441 | 18,836 (4) | 20,277 | | 20,277 |
| Operation Labor | 129,685 | 9,858 (1) | 139,543 | | 139,543 | | 139,543 |
| Purification Supplies and Expenses | 23,212 | | 23,212 | | 23,212 | | 23,212 |
| Supplies and Expenses | 86,374 | | 86,374 | | 86,374 | | 86,374 |
| Chemical Treatment Expenses | 10,821 | | 10,821 | | 10,821 | | 10,821 |
| Maint. of Structures and Improvements | 2,955 | | 2,955 | | 2,955 | | 2,955 |
| Maint. of Treatment & Disposal System Equip. | 10,820 | | 10,820 | | 10,820 | | 10,820 |
| Injuries and Damages/WC | | | 0 | 8,788 (5) | 8,788 | | 8,788 |
| Medical Insurance | | | 0 | 40,785 (6) | 40,785 | | 40,785 |
| Administrative & General | 0 | | 0 | | 0 | 83,678 (7) | 83,678 |
| Total Treatment and Disposal Expenses | 265,308 | 9,858 | 275,166 | 68,409 | 343,575 | 83,678 | 427,253 |
| **BILLING AND COLLECTING EXPENSES** | | | | | | | |
| Supervision | 46,938 | | 46,938 | (37,208) (4) | 9,730 | | 9,730 |
| Billing Collecting and Accounting | 113,386 | | 113,386 | | 113,386 | | 113,386 |
| Uncollectible Accounts | 0 | | 0 | | 0 | | 0 |
| Injuries and Damages/WC | | | 0 | 4,247 (5) | 4,247 | | 4,247 |
| Medical Insurance | | | 0 | 15,584 (6) | 15,584 | | 15,584 |
| Administrative & General | 0 | | 0 | | 0 | 34,815 (7) | 34,815 |
| Total Billing and Collecting Expenses | 160,324 | 0 | 160,324 | (17,377) | 142,947 | 34,815 | 177,762 |
| **ADMINISTRATIVE AND GENERAL EXPENSES** | | | | | | | |
| Administrative and General Salaries | 18,688 | | 18,688 | 2,713 (4) | 21,401 | | 21,401 |
| General Office Supplies and Expenses | 12,867 | | 12,867 | | 12,867 | | 12,867 |
| Special Services | 32,248 | | 32,248 | | 32,248 | | 32,248 |
| Special Legal Services | 24,379 | | 24,379 | | 24,379 | | 24,379 |
| Regulatory Commission Expenses | 3,844 | | 3,844 | | 3,844 | | 3,844 |
| Insurance | 91,137 | 28,043 (2) | 119,180 | (87,363) (6) | 31,817 | | 31,817 |
| Injuries and Damages/WC | 20,530 | 544 (3) | 21,074 | (19,862) (5) | 1,212 | | 1,212 |
| Miscellaneous General Expenses | 31,969 | | 31,969 | | 31,969 | | 31,969 |
| Maint. of General Property | 0 | | 0 | | 0 | | 0 |
| Maint. of Structures and Improvements | 10,523 | | 10,523 | | 10,523 | | 10,523 |
| Rents | 8,400 | | 8,400 | | 8,400 | | 8,400 |
| Medical Insurance | | | 0 | 543 (6) | 543 | | 543 |
| Administrative & General | 0 | | 0 | | 0 | (179,203) (7) | (179,203) |
| Total Administrative and General Expenses | 254,585 | 28,587 | 283,172 | (103,969) | 179,203 | (179,203) | 0 |
| Total Operating Expenses | 876,552 | 38,445 | 914,997 | 0 | 914,997 | 0 | 914,997 |

NITRO REGIONAL WASTEWATER UTILITY

GOING LEVEL ADJUSTMENTS

(1) Employee Pay Increases

| | Wage Increase | FICA Increase | Pension Increase | Total Increase |
|---|---|---|---|---|
| T&D Employee 1 | 5,054 | 387 | 480 | 5,921 |
| T&D Employee 2 | 3,361 | 257 | 319 | 3,937 |
| Total | 8,415 | 644 | 799 | 9,858 |

(2) Medical Insurance Increase

| 2002 Annual Premium | 2004 Annual Premium | Increase |
|---|---|---|
| 59,321 | 87,364 | 28,043 |

(3) Injuries and Damages/WC

| | Wage Increase | Rate | Worker's Comp. Increase |
|---|---|---|---|
| T&D Employee 1 | 5,054 | 6.47 | 327 |
| T&D Employee 2 | 3,361 | 6.47 | 217 |
| Total | 8,415 | | 544 |

DIRECT ALLOCATION ADJUSTMENTS

(4) General Manager's Salary

| | Labor Expense | Allocation Percentage | GM's Wages |
|---|---|---|---|
| Collecting | 69,777 | 21.59% | 10,134 |
| Pumping | 38,022 | 11.77% | 5,525 |
| Treatment & Disposal | 129,685 | 40.13% | 18,836 |
| Billing & Collecting | 66,989 | 20.73% | 9,730 |
| Administrative & General | 18,688 | 5.78% | 2,713 |
| | 323,161 | 100.00% | 46,938 |

(5) Injuries and Damages/WC

| | Going Level Expense | Allocation GM's Portion | Total |
|---|---|---|---|
| Collecting | 3,764 | 656 | 4,420 |
| Pumping | 2,050 | 357 | 2,407 |
| Treatment & Disposal | 7,569 | 1,219 | 8,788 |
| Supervision | 3,037 | (3,037) | 0 |
| Billing & Collecting | 3,617 | 630 | 4,247 |
| Administrative & General | 1,037 | 175 | 1,212 |
| | 21,074 | 0 | 21,074 |

(6) Medical Insurance

| | Going Level Expense | Allocation GM's Portion | Total |
|---|---|---|---|
| Collecting | 18,210 | 2,030 | 20,240 |
| Pumping | 9,105 | 1,106 | 10,211 |
| Treatment & Disposal | 37,012 | 3,773 | 40,785 |
| Supervision | 9,401 | (9,401) | 0 |
| Billing & Collecting | 13,635 | 1,949 | 15,584 |
| Administrative & General | 0 | 543 | 543 |
| | 87,363 | 0 | 87,363 |

INDIRECT ALLOCATION ADJUSTMENTS

(7) Remaining Administrative & General Expenses

| | Allocated Expenses | Allocation Percentage | Total |
|---|---|---|---|
| Collecting | 134,676 | 18.30% | 32,800 |
| Pumping | 114,596 | 15.57% | 27,910 |
| Treatment & Disposal | 343,575 | 46.69% | 83,678 |
| Billing & Collecting | 142,947 | 19.43% | 34,815 |
| | 735,794 | 100.00% | 179,203 |

NITRO REGIONAL WASTEWATER UTILITY
BULK RATE

| | Three Year Average Flow |
|---|---|
| NRWU Flows | 396,499 |
| Total Allocated 2002 T&D Expense | $427,253 |
| O&M per 1,000 gals | $1.08 |
| 5% reserve | $0.05 |
| Total Bulk Rate per 1,000 gallons | $1.13 |
| | |
| Annual Debt Payment | $23,582 |

O&M per 1,000 gals - calculated using total T&D expense and allocating associated expenses.

Annual Debt Payment - calculated using annual debt payment for 1997 plant upgrade times plant capacity available to South Putnam PSD.

# A G R E E M E N T

This Agreement Made and entered into this 6th day of Dec., 1976, by and among the City of Hurricane, a municipal corporation in Putnam County, West Virginia, and the Sanitary Board of the City of Hurricane, West Virginia, hereinafter collectively referred to as "Hurricane," and the Teays Valley Public Service District, a public corporation in Putnam County, West Virginia, hereinafter referred to as "Teays Valley."

W I T N E S S E T H:

WHEREAS, Hurricane has for many years, through its Sanitary Board, owned and operated a sewage collection system and treatment plant serving a portion of Hurricane, which treatment plant is now overloaded and obsolete, and, therefore, the City Council of Hurricane has found and determined that it is now necessary to construct additional collection sewers and a new sewage treatment plant to serve all of the residents, commercial and industrial establishments of Hurricane; and

WHEREAS, Teays Valley has no sewage collection system or treatment facilities and the West Virginia Department of Health has ordered a moratorium on building construction in the Teays Valley area until an adequate sewerage system

is available to serve the needs of the residents of the area, and, therefore, the Commissioners of the Teays Valley Public Service District have found and determined that it is now necessary to construct collection sewers to serve all of the residents, commercial and industrial establishments within the boundaries of Teays Valley and to assure that adequate sewage treatment facilities are available to serve the needs of the residents of Teays Valley; and

WHEREAS, engineering plans and specifications for sewage collection and treatment facilities for Hurricane have been completed and the sewage treatment plant to be constructed by Hurricane is of sufficient size and capacity to serve the residents of both Hurricane and Teays Valley now and in the foreseeable future without any impairment of the usefulness of such sewage treatment plant to Hurricane; and

WHEREAS, engineering plans and specifications for sewage collection facilities for Teays Valley have not been completed, but such plans and specifications are part of work to be performed under the terms of a grant from the United States Environmental Protection Agency ("EPA") to Hurricane, as described more fully in Article X hereof; and

WHEREAS, this Agreement, and the engineering plans and specifications referred to herein, are intended to promote and facilitate the acquisition and construction of a sewage treatment

and collection system to serve the area within Hurricane and that portion of Teays Valley lying to the west of Crooked Creek Road, as shown on the map attached hereto as Exhibit A; and

WHEREAS, Teays Valley has made formal application to Hurricane for treatment and disposal of the sewage from its sewage collection system, and Hurricane has indicated its desire to accept and treat all such sewage received from Teays Valley and Teays Valley has indicated its willingness to pay for the cost of such treatment; and

WHEREAS, Hurricane and Teays Valley have expended funds and have made commitments to expend funds and Hurricane has received grant funds from EPA and loan funds from the West Virginia Water Development Authority (hereinafter referred to as "WDA"), all in connection with engineering and designing the proposed sewage treatment and collection system for both Hurricane and Teays Valley and in resolving legal and accounting questions related to the acquisition and construction of such system, as to which expenditures, commitments, loans and grants Hurricane and Teays Valley desire to make provision for between them; and

WHEREAS, Hurricane and Teays Valley entered into an agreement dated February 22, 1973, whereby Hurricane was to design, construct, operate and maintain a sanitary sewer

system to serve, among other areas, all or part of Teays Valley, which agreement the parties desire to rescind; and

WHEREAS, Hurricane and Teays Valley are willing to do all things necessary relating to the acquisition and construction of adequate sewage treatment facilities and collection systems for the Hurricane - Teays Valley area (the "Project");

NOW, THEREFORE, Be it Agreed by and between the City of Hurricane and the Teays Valley Public Service District as follows:

ARTICLE I. CONSTRUCTION AND MAINTENANCE OF SYSTEMS

INTERCEPTOR OBLIGATIONS BY HURRICANE

1. Hurricane shall construct and maintain, at its own expense, subject to the provision for payment by Teays Valley as set forth in Article IX hereof, adequate sewage treatment facilities and an interceptor sewer as defined in Article V hereof for the purpose of accepting and treating the sewage delivered by Teays Valley into the Hurricane system. Hurricane shall acquire, by condemnation or otherwise, adequate land within or in close proximity to the Hurricane corporate boundaries upon which the aforesaid sewage treatment facilities may be constructed. Hurricane shall expand its sewage treatment system from time to time as such expansion becomes necessary to provide adequate capacity in the system to treat the sewage delivered, or projected by a nationally recognized and responsible engineering firm to be delivered, by Teays Valley; provided that the capacity of the Hurricane

EXPANSION OBLIGATIONS

which is to be reserved for sewage from Teays Valley and future expansions of the treatment facility to meet the sewage treatment needs of Teays Valley shall be set forth in detail in the Service Contract referred to in Article XIII.

2. Hurricane and Teays Valley shall construct and maintain, each at its own expense, a collection system of sanitary sewers to serve the residents of their respective areas in a manner which will prevent excessive infiltration of ground water into such system and shall adopt and enforce regulations prohibiting the draining of storm and surface waters in said sewage collection system. Hurricane and Teays Valley shall further cause to be adopted and enforced regulations concerning the introduction of "industrial" and "prohibited" wastes into sewage collection systems.

3. During the period of this contract and during the renewal periods provided for herein, Teays Valley will utilize the sewage treatment facilities of Hurricane for all sewage from that portion of Teays Valley lying to the west of Crooked Creek, as shown on the map attached hereto as Exhibit A, and will not utilize any competing sewage treatment facilities for the aforesaid portion of Teays Valley, whether owned by Teays Valley or otherwise, and Hurricane will accept and treat the sewage delivered by Teays Valley into the Hurricane collection system. The sewage delivered by Teays Valley to Hurricane will be from metered rate residential, small business, commercial and all

other customers which are connected and served by the sewage collection system of Teays Valley.

ARTICLE II. POINTS OF SERVICE

Hurricane shall provide and maintain a collection sewer to receive the discharge from the outlet sewer line of Teays Valley at a location at or near to the corporate boundary of Hurricane, such location to be approved by the parties. The parties intend that, initially, sewage from Teays Valley shall be transported to Hurricane via a single main line and that the flow of such sewage shall be metered for purposes of charges under Article IX at the point where the Hurricane sewage line joins the Teays Valley sewage line.

Additional points of service for future requirements or the discontinuance thereof shall be provided by an amendment or amendments to this contract as provided for in Article XVI of this contract.

ARTICLE III. APPLICATIONS FOR INDUSTRIAL USERS

Before any connection is made to either the Hurricane or Teays Valley sewage collection systems, all industrial users, regardless of location, as well as all other users located beyond the corporate limits of either Hurricane or Teays Valley, shall first file an application with the Hurricane Sanitary Board (and Teays Valley if such connection is to be

made to the Teays Valley sewage collection system), on forms provided by Hurricane, for their approval. Such application shall describe in detail the contents, characteristics and B.O.D. of such sewage and the estimated GPD flow.

ARTICLE IV. SPECIAL CASES

In the event the sewage, water or other liquid wastes being discharged into the sewage collection system of Teays Valley from any building or premise is determined by the Hurricane Sanitary Board to contain unduly high concentrations of any substances which add to the operating costs of the sewage treatment facilities of Hurricane, then Teays Valley shall, at the request of the Hurricane Sanitary Board, establish special rates or charges or require the owner or other interested party to specially treat such sewage, water or other liquid wastes before it is discharged into the sewage collection system of Teays Valley, provided, however, that any such request made by the Hurricane Sanitary Board shall be no more stringent than those applicable to similar users or classes of users within the jurisdiction of Hurricane.

ARTICLE V. INTERCEPTOR SEWERS

Hurricane shall provide and maintain a sanitary interceptor sewer to the interceptor sewer outlet of Teays Valley of sufficient capacity to fulfill design needs as based on specifications required by West Virginia State Board of Health regulations

and regulations of the West Virginia Department of Natural Resources.

## ARTICLE VI. DESIGN STANDARDS

Design standards shall be agreed upon between the Hurricane Sanitary Board and Teays Valley and their respective engineers. These standards shall apply to all sewers constructed in the jurisdiction of both Hurricane and Teays Valley.

In the event of error, omission or doubt concerning design standards, pertinent regulations of EPA, the West Virginia State Department of Health and Department of Natural Resources, if available, shall apply and be used for interpretation.

Said standards may be revised from time to time by mutual consent of the parties to this contract as conditions warrant.

A common sewer use code shall be adopted by Hurricane and Teays Valley and enforcement thereof guaranteed by competent inspection of all sewer plumbing work within the jurisdiction of Hurricane and Teays Valley.

## ARTICLE VII. MAINTENANCE OF SERVICE AND SEWAGE TREATMENT FACILITIES

Both Hurricane and Teays Valley agree to maintain their respective sanitary interceptor sewers to the point or points of service to such degree and thoroughness that the design capacity is maintained at all times.

Hurricane shall provide, operate and maintain sewage treatment facilities sufficient to meet all applicable requirements of the West Virginia State Department of Health and the West Virginia Department of Natural Resources and shall further save Teays Valley harmless from any compliance order issued against said treatment facilities by the West Virginia Department of Health and/or the West Virginia Department of Natural Resources.

ARTICLE VIII. BILLING AND COLLECTION

Hurricane and Teays Valley agree to bill and collect all charges due for sewer service to users connected to their respective sewage collection systems, and Hurricane and Teays Valley further agree to adopt rules and regulations to enforce the collection of such bills. The records of Hurricane and Teays Valley shall be made available, each to the other, for the purpose of making any annual audit as may be required by the ordinance or resolution adopted by Hurricane or Teays Valley, respectively, authorizing the issuance of revenue bonds to finance the cost of acquisition and construction of their respective sewage systems.

ARTICLE IX. CHARGES FOR BILLING, COLLECTION AND SEWAGE TREATMENT SERVICES

1. In consideration of the additional capital cost incurred by Hurricane for the construction of sewage collection and treatment facilitites of sufficient size and capacity to serve the users of the sewage collection system of Teays Valley

and for the services rendered by Hurricane in accepting and treating the sewage received from the sewage collection system of Teays Valley, Hurricane will charge, and Teays Valley will pay as an operating expense of its sewage collection system and solely from the revenues derived from the operation thereof, a monthly amount, to be determined by the Independent Accountant provided for in Paragraph 3 of this Article, equivalent to the cost incurred by Hurricane in accepting and treating the sewage received from the sewage collection system of Teays Valley, provided that the amount paid by Teays Valley to Hurricane in any fiscal year, as defined in the ordinance adopted by the City Council of Hurricane authorizing the issuance of revenue bonds to finance the cost of acquisition and construction of sewage treatment facilities in Hurricane, shall in no event be less than a minimum amount to be computed and/or approved by an Independent Accountant, as provided for herein, in order to assure adequate income to Hurricane to pay (i) the interest on and principal of that portion of the aforesaid revenue bonds used to finance that portion of Hurricane's treatment facilities used in treating sewage from Teays Valley, and (ii) the operation and maintenance costs of that portion of Hurricane's treatment facilities used in treating sewage from Teays Valley.

The rates or charges to Teays Valley hereunder shall be related to the use of the Hurricane sewage treatment facilities

by Teays Valley and shall be measured and determined by the amount necessary to provide monthly revenues from Teays Valley required to pay the principal of and interest on and reserves (including payments into any renewal and replacement fund) for the bonds of Hurricane issued to finance the cost of design, acquisition, construction, operation and maintenance of that portion of the Hurricane treatment facility, and any additions thereto, necessary to collect, treat and dispose of the sanitary sewage and industrial wastes of Teays Valley. Such costs shall include the actual cost of treatment of the industrial wastes and sanitary sewage of Teays Valley, the proportionate share of the cost of operation and maintenance of the Hurricane sewage treatment facilities and any sewer line or lines installed or acquired to provide such services and facilities to Teays Valley, all as determined by the Independent Accountant.

In addition, such rates or charges shall be increased pro rata with the rates of other users of the Hurricane treatment facility from time to time and to the full extent necessary to produce, together with the revenues received from the collection of fair, just and equitable rates or charges from the other users of the Hurricane treatment facility, adequate revenues in each year to pay all expenses of operation, repair and maintenance of the Hurricane treatment facility, the principal

of and interest on the outstanding bonds payable from the revenues of the Hurricane treatment facility and all other payments required by the covenants, provisions and requirements of the proceedings authorizing the issuance of any such bonds by Hurricane.

2. Hurricane and Teays Valley agree that the rates or charges for the use of and services rendered by their respective sewage systems shall be sufficient to produce gross revenues to operate and maintain their respective systems, to amortize any outstanding bonds issued to finance the cost of their respective systems, to create adequate reserves for such purposes, and to meet the requirements of all federal and state laws and regulations. Said rates or charges shall at all times be based on a percentage of the usage of water service furnished by Hurricane and Teays Valley, except those users who are receiving sewer service under other arrangements.

3. Hurricane and Teays Valley shall employ an Independent Accountant, who shall be a CPA customarily engaged in utility financing and with experience in testifying in West Virginia Public Service Commission rate cases, to render such services as are required by the terms of this Agreement. The cost of the services of the Independent Accountant shall be borne by the parties in equal amounts.

4. The cost of the services of the Project Manager or Review Engineer, if required, shall be borne solely by the party

requiring such services.

5. Teays Valley agrees to bill, collect and remit to Hurricane Industrial Cost Recovery Payments by industrial users of the system pursuant to appropriate EPA regulations.

ARTICLE X. GRANT AND LOAN FUNDS

1. Hurricane agrees to transmit and Teays Valley agrees to accept the EPA Step II and/or Step III portions of the Phase II engineering and design work which has been performed for Hurricane, all as described in the EPA grant to Hurricane for acquisition and construction of a sewage system in the Hurricane - Teays Valley area. Teays Valley agrees to assume responsibility for the repayment of (i) any WDA loan funds paid by Hurricane to engineers for such plans as may be transferred to Teays Valley and (ii) any WDA funds heretofore or hereafter used to finance work on sewage collection facilities in the area of Teays Valley. Teays Valley further agrees to apply for such WDA loan funds as may be available to finance the remainder of the Step II work. Hurricane and Teays Valley agree that Teays Valley will accept the transfer of EPA grant funds, upon offer by EPA, previously offered to Hurricane in connection with acquisition and construction of the Teays Valley portion of the sewer system in the Hurricane - Teays Valley area.

2. Hurricane and Teays Valley agree to proceed immediately to obtain such grant and loan funds as may be necessary and

available to acquire and construct a sewage system in the Hurricane Teays Valley area and to provide needed sewage services to such area.

ARTICLE XI. RESCISSION OF PREVIOUS AGREEMENTS

Hurricane and Teays Valley hereby rescind and cancel that agreement between them dated February 22, 1973, whereby Hurricane was to design, construct, operate and maintain a sanitary sewer system to serve, among other areas, all or part of Teays Valley. Hurricane and Teays Valley further rescind and cancel any other agreement or understanding between them, or parts thereof, inconsistent herewith.

ARTICLE XII. COOPERATION

Hurricane and Teays Valley recognize that their respective sewerage systems are interdependent. The parties agree that if either party finds it necessary to retain a project manager ("Project Manager") to review and coordinate the acquisition and construction of the project, then both parties shall cooperate with said Project Manager. The parties also recognize that the investment banker retained by either party may require the employment of an engineer to review design documents, and other work related to the project, as a condition of the underwriting agreement and the parties hereby agree to cooperate with said engineer ("Review Engineer").

Hurricane and Teays Valley agree to cooperate with investment bankers selected by any or all of the parties, bond counsel, attorneys for each of the parties and the Project Manager and Independent Accountant, and further to do all things necessary to effectuate the sale of the revenue bonds of each of the parties hereto to finance a portion of the cost of a sewage system in the Hurricane and Teays Valley area.

ARTICLE XIII. SERVICE CONTRACT

Hurricane and Teays Valley agree to enter into and execute a service contract ("Service Contract") to describe further the legal relationship between them in connection with the operation of their respective sewer systems, and to further define the concepts of operation contained herein, including, but not limited to, rates and sewage flows. The parties contemplate that the Service Contract will contain an initial schedule of rates and charges between Hurricane and Teays Valley and to users of the parties' sewer systems.

ARTICLE XIV. SALE OR TRANSFER

This contract shall be binding upon the successors and assigns of the parties hereto and any sale or transfer by the parties hereto of all or any portion of their respective sewage collection and/or treatment systems shall be made in such a manner so that the rights of the parties to this contract shall be fully preserved and perpetuated.

ARTICLE XV. APPROVAL OF PUBLIC SERVICE COMMISSION

Both Hurricane and Teays Valley agree to cooperate in

submitting a petition to the Public Service Commission of West Virginia for approval of this contract in accordance with the rules and regulations promulgated by said Public Service Commission and the pertinent laws of West Virginia in this matter.

ARTICLE XVI. MODIFICATION

This contract may be modified by amendment acceptable to the Hurricane Sanitary Board and Teays Valley, provided that any such amendment is approved, ratified and confirmed by ordinance adopted by the City Council of Hurricane.

ARTICLE XVII. DURATION

It is mutually agreed by the parties hereto that this contract shall remain in full force and effect for the maximum period allowed by law, not to exceed forty years, provided that unless either party gives written notice to the other party, not less than five years prior to termination of the period, of an intention not to renew, this Agreement shall be automatically renewed on the same terms and conditions for succeeding terms of fifteen years.

ARTICLE XVIII. SEVERANCE

If for any reason any section, paragraph, clause or provision of this contract shall be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect the validity of any of the remaining portions of this contract.

## ARTICLE XIX. PERFORMANCE

Hurricane and Teays Valley agree that land for treatment facilities will be acquired or condemnation proceedings begun prior to January 1, 1977, and construction on the Hurricane sewage treatment facility shall begin on or before May 1, 1977, and that both parties shall have completed the acquisition and construction of their respective systems on or before January 1, 1980, in order to assure that adequate sewage treatment facilities will be available to Teays Valley and that revenues for transporting and treating sewage from Teays Valley will be available to Hurricane by January 1, 1980. The parties further agree that time is of the essence of this Agreement and that all duties required and anticipated by this Agreement to be performed, including the payment of funds for construction of the sewage systems, are deemed to be mandatory acts of the appropriate public officials.

The parties hereto agree that upon failure of either party to meet the foregoing construction dates, the other party shall have, in addition to rights provided by law, the right to specific performance by the non-complying party; provided, however, that both parties hereby waive any rights under law that they may have to rescind this Agreement, it being the intention of both parties to be bound by this Agreement for the term stated in Article XVII.

IN WITNESS WHEREOF, the City of Hurricane, pursuant

to an ordinance opted by the Council of s'd City on 6th of December, 1976, has caused its name to be subscribed hereto by Raymond Peak, its Mayor, and the Sanitary Board of the City of Hurricane, pursuant to a resolution adopted by the Board on DECEMBER 6, 1976, has caused its name to be subscribed hereunto by RAYMOND PEAK, as the duly authorized Chairman of its Sanitary Board, and attested by JACK H. GIBSON, the Secretary-Treasurer of said Sanitary Board, and the Teays Valley Public Service District, pursuant to a Resolution adopted DECEMBER 6, 1976, by the Commissioners of said District, has caused its name to be subscribed hereunto by B. M. HOFFMAN, as its duly authorized Chairman, and attested by T. A. GALYEAN, JR., the Secretary of said District, this 6th day of DECEMBER, 1976.

CITY OF HURRICANE, WEST VIRGINIA

By Raymond Peak
Mayor and Chairman of the Sanitary Board of Hurricane, West Virginia

Attest:

Jack H. Gibson
Secretary-Treasurer, Sanitary Board of Hurricane, West Virginia

TEAYS VALLEY PUBLIC SERVICE DISTRICT

By _____
Chairman of the Teays Valley
Public Service District

Attest: _____

Teays Valley Public Service District

# SERVICE CONTRACT

THIS SERVICE CONTRACT, Made this the 28th day of June, 1978, by and among THE CITY OF HURRICANE, a municipal corporation in Putnam County, West Virginia, and THE SANITARY BOARD OF THE CITY OF HURRICANE, WEST VIRGINIA, hereinafter collectively referred to as "Hurricane", and THE TEAYS VALLEY PUBLIC SERVICE DISTRICT, a public corporation in Putnam County, West Virginia, hereinafter referred to as "Teays Valley".

W I T N E S S E T H:

WHEREAS, Hurricane and Teays Valley entered into and executed an Agreement on the 6th day of December, 1976, relating to the acquisition, construction and operation of sewage treatment facilities and collection systems for the Hurricane-Teays Valley area, a copy of which Agreement is attached hereto and made a part hereof; and

WHEREAS, the said Agreement calls for the entering into and execution of a Service Contract to describe further the legal relationship between Hurricane and Teays Valley in connection with the operation of their respective sewer systems; and

WHEREAS, Hurricane is constructing the sewage treatment facilities and preparing to construct the interceptor sewer to receive the discharge from the outlet sewer line of Teays Valley, as set forth in said Agreement; and

WHEREAS, Teays Valley is preparing to construct a sewage collection system as set forth in said Agreement and is preparing to file a petition with the Public Service Commission of the State of West Virginia for a Certificate of Convenience and Necessity to operate said sewer collection system and to place into effect certain rates and charges to be made by it for the sale of its services to its customers;

NOW, THEREFORE, be it agreed by and among The City of Hurricane, The Sanitary Board of the City of Hurricane, and The Teays Valley Public Service District as follows:

ARTICLE I. AGREEMENT TO USE AND ACCEPT

During the period of this contract and during the period of any renewal hereof, Teays Valley will utilize the sewage treatment facilities of Hurricane for all sewage from that portion of Teays Valley lying to the west of Crooked Creek, as set forth in Exhibit A attached to the Agreement of December 6, 1976, and will not utilize any competing sewage treatment facilities for the aforesaid portion of Teays Valley, whether owned by Teays Valley or otherwise, and Hurricane will accept and treat the sewage delivered by Teays Valley into the Hurricane collection system. The sewage delivered by Teays Valley to Hurricane will be from residential, small business, commercial, authorized industrial, and all other customers which are connected and served by the sewage collection system of Teays Valley. Hurricane shall construct and maintain, at its own expense,

subject to the provision for payment by Teays Valley as set forth hereinafter, adequate sewage treatment facilities and an adequate interceptor sewer or adequate interceptor sewers for the purpose of accepting and treating all of the sewage delivered or tendered for delivery by Teays Valley into the Hurricane system, and shall expand its sewage treatment system and interceptor sewer or sewers from time to time as such expansion becomes necessary to provide adequate capacity in the system to treat the sewage so delivered by Teays Valley; it is estimated that after January 1, 1979, but prior to December 31, 1979, Teays Valley will have approximately 1,300 customers connected to and served by the sewage collection system of Teays Valley.

ARTICLE II. POINTS OF SERVICE

Hurricane shall provide and maintain a collection sewer of adequate design and capacity to receive the discharge from the outlet sewer line of Teays Valley at the following location: at the southwest corner of the intersection of West Virginia Route No. 34 and the boundary of Teays Valley.

Additional points of service for future requirements or the discontinuance thereof shall be provided by an amendment or amendments to this contract as provided for in ARTICLE VII of this contract.

ARTICLE III. RATES AND CHARGES

1. In consideration of the additional capital cost

incurred by Hurricane for the construction of sewage treatment facilities of sufficient size and capacity to serve the users of the sewage collection system of Teays Valley and for the services rendered by Hurricane in accepting and treating the sewage received from the sewage collection system of Teays Valley, Hurricane will charge Teays Valley, and Teays Valley will pay to Hurricane as an operating expense of Teays Valley's sewage collection system and solely from the revenues derived from the operation thereof, as follows:

a. During the first year that sewage treatment services are provided pursuant to this contract, Teays Valley will pay a charge of $0.98 for every 1,000 gallons, or fraction thereof, of sewage delivered by Teays Valley into the Hurricane system as measured at the point or points of service set forth in ARTICLE II above.

b. After the first anniversary of the commencement of sewage treatment services rendered pursuant hereto, and annually thereafter, the Independent Accountant provided for in ARTICLE IX, paragraph 3 of the Agreement dated December 6, 1976, shall calculate, on a per 1,000 gallons basis, the amount that would have been necessary during the preceding year to provide total revenues from Teays Valley sufficient to pay Teays Valley's proportionate share of the actual cost of operation and maintenance of

the Hurricane treatment facility and of any of Hurricane's sewer line or lines used to provide and make available such services and facilities to Teays Valley plus Teays Valley's proportionate share of the principal of and interest on the outstanding bonds the proceeds of which, or other necessary capital expenditures which, were used to design and construct such treatment facility and such sewer line or lines. Such proportionate share shall be based upon the proportional relationship between the total number of gallons of sewage delivered by Teays Valley into the Hurricane system and the total number of gallons of sewage treated at the Hurricane sewage treatment facility during the preceding year.

(1) The amount calculated pursuant to this Subparagraph b., on a 1,000 gallons basis, shall then be the rate to be charged by Hurricane and to be paid by Teays Valley during the next succeeding year and until the next annual review and recalculation.

(2) In addition, the amount calculated pursuant to this Subparagraph b. shall be applied retroactively to the bills for service rendered during the preceding year, and an appropriate adjustment shall be made either by refunding to Teays Valley the amount of any overpayment or by paying to Hurricane the amount of any underpayment.

c. If, at any time during the continuance of this contract or any renewal hereof, an accurate measurement

of sewage flows is not available, corrections shall be made as set forth in ARTICLE IV, Paragraph 4 below.

d. Bills will be rendered each calendar month by Hurricane to Teays Valley for the services rendered by Hurricane during the preceding calendar month, and each such bill shall be payable at the office of Hurricane on or before the fifteenth (15th) day after the date of such bill.

e. In any event, there shall be a minimum monthly charge in the amount of $2,500 to be paid to Hurricane by Teays Valley commencing with the commencement of sewage treatment services rendered pursuant thereto.

ARTICLE IV. METERS

1. Hurricane shall install, connect, maintain and operate at each point of service provided for in Article II, above, such meter or meters as shall be necessary to measure and record the amount of sewage delivered by Teays Valley into the Hurricane system. The meters required in this paragraph shall be bubbler system meters.

2. Hurricane shall install, connect, maintain and operate on the intake of influent line or lines into its sewage treatment plant such meters as shall be necessary to measure and record the amount of intake or influent into the sewage treatment plant.

3. All of the meters described in paragraphs 1 and 2, next above, shall belong to Hurricane. The meters shall be read by Hurricane and tested and calibrated regularly by Hurricane and shall, at reasonable times, upon the written request and in the presence of the duly authorized representative of Teays Valley, be subject to such additional standard tests as may be necessary to establish their accuracy. In any event, each meter shall be tested and calibrated by Hurricane no less frequently than once every twelve (12) calendar months. Hurricane shall, at all times, maintain a complete spare parts inventory and a standby transmitter and recorder for all meters.

4. Teays Valley shall, under no circumstances, interfere with the meters. However, Teays Valley may, at its own expense, install, connect, maintain and operate a recorder in its office to receive simultaneous flow records from each meter, and all meters shall be designed, installed, connected and maintained in a manner to permit such connection by Teays Valley. In case of defective service, Teays Valley shall immediately give notice thereof to Hurricane. If tests show that a meter is not accurate, the meter shall be restored to a condition of accuracy satisfactory to the representatives of both parties. If the inaccuracy of any meter shall exceed two percent (2%), the previous readings of such meter shall be corrected for the two months previous to such test in accordance with the percentage of inaccuracy found by such test, but such correction shall not be for any period prior to the most recent date on which such meter was found to be accurate within two percent (2%).

If any meter fails to register for any period, the amount of waste water furnished during such period shall be deemed to be the amount of waste water delivered in the corresponding period immediately prior to the failure, unless Hurricane and Teays Valley shall agree upon a different amount.

ARTICLE V. TREATMENT STANDARDS AND INDEMNIFICATION

Hurricane shall provide, operate and maintain sewage treatment facilities sufficient to meet all applicable requirements of the Federal, State and local governments and governmental agencies, and shall assume responsibility for all sewage delivered to Hurricane by Teays Valley at the point or points of service. Hurricane shall further defend, indemnify and save harmless Teays Valley from any compliance order issued against said treatment facilities and from any claims, liability or damages against Teays Valley arising out of the operation of the said treatment facilities or the handling and treatment of sewage delivered to it by Teays Valley at the point or points of service.

ARTICLE VI. APPROVAL OF PUBLIC SERVICE COMMISSION

It is understood that this contract is subject to approval by the Public Service Commission of West Virginia and the parties hereto agree to cooperate in submitting a petition to the Public Service Commission of West Virginia for approval of this contract in accordance with the rules and regulations promulgated by said Public Service Commission and the pertinent laws of West Virginia.

ARTICLE VII. MODIFICATION

This contract may be modified by amendment mutually acceptable to and agreed upon by all of the parties to this agreement, provided that any such amendment is approved, ratified, and confirmed by ordinance adopted by the City Council of Hurricane.

ARTICLE VIII. TERM

This contract shall remain in full force and effect for a period of forty (40) years, provided that unless either party gives written notice to the other party, not less than five (5) years prior to termination of the period, of an intention not to renew, this agreement shall be automatically revewed on the same terms and conditions for succeeding terms of fifteen (15) years.

ARTICLE IX. RELATION TO PREVIOUS AGREEMENT

It is understood and agreed by the parties hereto that this contract is intended to supplement the agreement between the parties made and entered into on December 6, 1976, and that the Agreement of December 6, 1976, remains in full force and effect, except that if and to the extent that there is any conflict between this contract and the Agreement of December 6, 1976, this contract shall control.

ARTICLE X. SUCCESSION OR ASSIGNMENT

This contract shall be binding upon and its benefits shall inure to the successors and assigns of the parties hereto

and any sale or transfer by the parties hereto of all or any portion of their respective sewage collection and/or treatment systems shall be made in such manner so that the rights of the parties to this contract shall be fully preserved and perpetuated.

IN WITNESS WHEREOF, The City of Hurricane, pursuant to an ordinance adopted by the Council of said City on June 28, 1978, has caused its name to be subscribed hereto by L. I. Williams, its Mayor, and The Sanitary Board of the City of Hurricane, pursuant to a resolution adopted by the Board on June 28, 1978, has caused its name to be subscribed hereunto by L. I. Williams, as the duly authorized Chairman of its Sanitary Board, and attested by Jack H. Gibson, the Secretary-Treasurer of said Sanitary Board, and Teays Valley Public Service District, pursuant to a resolution adopted June 28, 1978, by the Commissioners of said District, has caused its name to be subscribed hereunto by T. A. Galyean, Jr., its duly authorized Chairman, and attested by William Snyder, the Secretary of said District, this the 28th day of June, 1978.

THE CITY OF HURRICANE

By L. I. Williams
Mayor

THE SANITARY BOARD OF THE CITY

By L. I. Williams
Chairman

ATTEST:

Jack H. Gibson
Secretary-Treasurer

TEAYS VALLEY PUBLIC SERVICE DISTRICT

By _____
Chairman

ATTEST:

_____
Secretary

# A G R E E M E N T

This AGREEMENT Made this 30 day of August, 1980, by and among JAMES W. LOUGHNER, SR., hereinafter referred to as "Developer", the CITY OF HURRICANE, a Municipal Corporation, and the SANITARY BOARD OF THE CITY OF HURRICANE, West Virginia, hereinafter collectively referred to as "Hurricane", and the TEAYS VALLEY PUBLIC SERVICE DISTRICT, a public corporation, hereinafter referred to as "Teays Valley".

## W I T N E S S E T H :

WHEREAS, Hurricane and Teays Valley entered into and executed an Agreement on the 6th day of December, 1976, relating to the acquisition, construction and operation of sewage treatment facilities and collection systems for the Hurricane-Teays Valley Area; and

WHEREAS, said Agreement was supplemented by the said parties by a Service Contract dated June 28, 1978, and duly executed; and

WHEREAS, the said Agreements provide in part that Hurricane would treat sewage delivered unto it by Teays Valley upon terms as set forth therein; and

WHEREAS, the said Agreements define the boundaries of Teays Valley substantially as follows:

On the East by Crooked Creek, on the South by the C & O Railroad, on the North by Interstate 64 and on the West by the boundaries of Hurricane; and

WHEREAS, Teays Valley provides water service to certain areas outside of these boundaries and in particular to residential developments along Poplar Ford Road, which is immediately north and adjacent to Interstate 64; and

WHEREAS, the Developer desires to construct a sewer line along a portion of North Poplar Fork, underneath Interstate 64 and connecting to the sewage collection system of Teays Valley to serve these present and future residential water users of Teays Valley; and

WHEREAS, the Developer is agreeable to constructing said line in conformity to the engineering requirements for said line and Developer pay back provisions as set forth in the rules and regulations of Teays Valley; and

WHEREAS, the said proposed line would create additional customers of and increased revenues for Hurricane and Teays Valley who would pay the same charges and be subject to the same regulations as all other sewage customers of Teays Valley; and

WHEREAS, the said proposed line is within the existing service area of Teays Valley, but outside of its defined boundaries, a question has arisen as to whether the said line proposed to be constructed by the Developer may be connected to the collection system of Teays Valley and further whether the sewage delivered unto Teays Valley through said line may be treated by Hurricane; and

WHEREAS, Teays Valley is desirous of permitting the said Developer to attach its proposed line to the collection system of Teays Valley, subject to the applicable regulations of Teays Valley; and

WHEREAS, Hurricane is desirous of treating the sewage collection from the said proposed line of the Developer at the applicable rate that all sewage is received and treated by Hurricane from Teays Valley;

THEREFORE, in consideration of the mutual promises hereunder, be it agreed by and among the Developer, Hurricane and Teays Valley as follows:

FIRST: The Developer may connect its proposed sewer line to the sewage collection system of Teays Valley at a point shown upon those certain plans and specifications prepared by Randolph Engineering Co. and attached hereto and made a part hereof: Provided, that said proposed line shall comply in all respects to the applicable regulations of Teays Valley pertaining to its design and construction.

SECOND: The Developer agrees that all users connected to its proposed line shall be eligible users as defined by the regulations of Teays Valley and further that all such users shall be regular customers of Teays Valley and shall be obligated to pay the customary rates and charges of Teays Valley for sewage collection services.

THIRD: Hurricane agrees to accept and treat from Teays Valley sewage collected by the proposed line from the Developer and Teays Valley agrees to pay unto Hurricane for such treatment upon the same terms and conditions as set forth in that certain Service Contract dated June 28, 1978, by and among Hurricane and Teays Valley.

IN WITNESS WHEREOF, James W. Loughner, Sr. has caused his name and seal to be affixed hereto; the City of Hurricane, has caused its name

to be subscribed hereto by L. I. Williams, its Mayor, duly authorized; the Sanitary Board of the City of Hurricane, has caused its name to be subscribed hereto by L. I. Williams, its Chairman, duly authorized; and the Teays Valley Public Service District has caused its name to be subscribed hereto by B. M. Hoffman, its Chairman, duly authorized.

(SEAL)
JAMES W. LOUGHNER, SR.

THE CITY OF HURRICANE

(SEAL)

By: L. I. Williams
L. I. Williams, Mayor

THE SANITARY BOARD OF THE CITY OF HURRICANE

(SEAL)

By: L. I. Williams
L. I. Williams, Chairman

Attest: _____
Secretary, Treasurer

TEAYS VALLEY PUBLIC SERVICE DISTRICT

(SEAL)

By: B. M. Hoffman
B. M. Hoffman, Chairman

Attest: Fred D. Stollings
Secretary

# M O D I F I C A T I O N

THIS MODIFICATION, made and entered into this 27th day of May, 1981, by and among the City of Hurricane, a municipal corporation in Putnam County, West Virginia, and the Sanitary Board of the City of Hurricane, West Virginia, hereinafter collectively referred to as "Hurricane", and the South Putnam Public Service District, a public corporation in Putnam County, West Virginia, hereinafter referred to as "South Putnam".

## W I T N E S S E T H:

WHEREAS, the parties hereto entered into that certain Agreement dated December 6, 1976, thereby establishing certain terms and conditions with regard to the collection and treatment of sewage and establishing the means for modifying said agreement; and

WHEREAS, subsequent to the said Agreement Hurricane constructed and now operates a sewage treatment facility which has been designed and constructed to serve additional areas; and

WHEREAS, by order of the County Commission of Putnam County dated the 10th day of March, 1981, the name of the Teays Valley PSD was changed to South Putnam Public Service District and its service area was increased to include service for sewage collection for areas outside the City of Hurricane; and

WHEREAS, engineering plans and specifications for additional collection sewers for the Hurricane area have been completed; and

WHEREAS, this Modification, the Agreement of December 6, 1976, and the engineering plans and specifications are intended to promote and facilitate the application for funds to construct a sewage collection system to serve the Hurricane area; and

WHEREAS, Hurricane and South Putnam are willing to do all things necessary relating to the acquisition and construction of the Hurricane area collection system; now

THEREFORE, be it agreed by and between the City of Hurricane and the South Putnam PSD as follows:

A) Throughout the Agreement where the term "Teays Valley" is used to refer to the public service district, the term shall be modified to read "South Putnam".

B) The Hurricane area collector system is as defined in the Environmental Protection Agency project number C-540502-02.

C) That Hurricane and South Putnam shall enter into a service agreement as provided in Article XIII of the Agreement.

D) The South Putnam service areas shall be expanded to include the area defined in (B) above, and the area as defined in EPA project #C-540214.

IN WITNESS WHEREOF, pursuant to a resolution adopted by the Sanitary Board of the City of Hurricane on May 27, 1981, has caused its name to be subscribed hereto by L. I. Williams, its Mayor, and the Sanitary Board of the City of Hurricane, pursuant to a resolution adopted by the Board on May 27, 1981, has caused its name to be subscribed hereunto by L. I. Williams, as the duly authorized Chairman of its Sanitary Board, and attested by GEORGE R. GREENACRE, the Secretary-Treasurer of said Sanitary Board, and South Putnam Public Service District, pursuant to a resolution adopted May 26, 1981, by the Commissioners of said District, has caused its name to be subscribed hereunto by B. M. Hoffman, its duly authorized Chairman, and attested by Fred D. Stottlemyer, the Secretary of said District, this the 26th day of May, 1981.

THE CITY OF HURRICANE

By _____
Mayor

THE CITY OF HURRICANE

_____
TESTE: Secretary/Treasurer

THE SANITARY BOARD OF THE CITY

By _____
Chairman

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

By _____
Chairman

WITNESS:

_____
Secretary

This service contract made this the 10th day of August, 1981, by and among the City of Hurricane, a municipal corporation in Putnam County, West Virginia and the Sanitary Board of the City of Hurricane, West Virginia hereinafter collectively referred to as "Hurricane" and the South Putnam Public Service District, a public corporation in Putnam County, West Virginia hereinafter referred to as "South Putnam".

WITNESSETH

Whereas, Hurricane and Teays Valley Public Service District, the predecessor to "South Putnam" entered into and executed an Agreement on the 6th day of December, 1976, relating to the acquisition, construction, and operation of sewage treatment facilities and collection systems for the Hurricane-Teays Valley area, and entered into and executed a "Service Contract" on the 28th day of June, 1978, which further described the legal relationship between Hurricane and Teays Valley Public Service District in connection with operation of their respective sewer system, copies of which Agreements are attached and made a part hereof and:

Whereas the Putnam County Commission has expanded the boundaries and changed the name of the Teays Valley Public Service District to the South Putnam Public Service District and whereas Article XII of said Agreement binds the successors to all provisions of the contract and;

Whereas Hurricane has constructed a sewage treatment plant and interceptor sewers to receive the discharge from South Putnam and;

Whereas South Putnam desires to expand its sewer collection system and is discharging sewage into the Hurricane system in accordance with the terms and conditions of said Agreement and Service Contract and;

Whereas South Putnam desires to expand its sewer collection system and is preparing to file a petition with the Public Service Commission of the State of West Virginia for a Certificate of Convenience and Necessity to operate said sewer collection system and to place into effect certain rates and charges to be made by it for the sale of its services to its customers;

Whereas said Agreement and Service Contract provided for an annual establishment each year of the charge per thousand gallons of sewage delivered by South Putnam into the Hurricane system for treatment and whereas the first years proportional treatment cost are now available, and

Whereas the proposed new collection system to be constructed by South Putnam requires other modifications to the "Service Contract" and;

Whereas Hurricane and South Putnam on May 27, 1981, made and entered into a modification agreement and said modification agreement called for both parties to enter into a service contract as provided in Article XIII of the December 6, 1976 agreement;

Now, Therefore be it agreed by and among the City of Hurricane and the South Putnam Public Service District as follows:

Article I Agreement to Use and Accept

During the period of this contract and during the period of any renewal hereof, South Putnam will utilize the sewage treatment facilities of Hurricane for all sewage from,

a) that portion of South Putnam lying to the west of Crooked Creek as set forth in Exhibit A attached to the Agreement of December 6, 1976 and,

b) that portion of South Putnam as described by the U.S. Environmental Protection Agency, Project C540502.

c) that portion of South Putnam to a point five thousand feet (5,000') north of the west bound lane of I64 and lying in the Lick Branch of Poplar Fork and the Poplar Fork Creek watersheds including that area in and around the water impoundment of the Teays Valley Water Plant,

and will not utilize any competing sewage treatment facilities for the aforesaid portion of South Putnam, whether, owned by South Putnam or otherwise and Hurricane will accept and treat the sewage delivered by South Putnam into the Hurricane system. The sewage delivered by South Putnam to Hurricane will be from the residential,

small business, commercial, authorized industrial, and all other customers which are connected and served by the sewage collection system of South Putnam. Hurricane shall construct and maintain, at its own expense, subject to the provisions for payment by South Putnam as set forth hereinafter, adequate sewage treatment facilities and an adequate interceptor sewer or adequate interceptor sewers for the purpose of accepting and treating all of the sewage delivered or tendered for delivery by South Putnam into the Hurricane system, and shall expand its sewage treatment system and interceptor sewer or sewers from time to time so as to provide adequate capacity in the system to treat the sewage so delivered by South Putnam; it is estimated that after September 1, 1982, but prior to December 31, 1982, South Putnam will have approximately 2,200 customers connected to and served by the sewage collection system of South Putnam.

## Article II Points of Service

Hurricane shall provide and maintain a collection sewer of adequate design and capacity to receive the discharge from the outlet sewer lines of South Putnam at the following locations:

1) at the Route 34 metering station adjacent to the Hurricane Water Reservoir
2) at the terminal manhole #1 on the main interceptor line near the old treatment plant
3) at the terminal manhole adjacent to Standard Foods on Virginia Avenue
4) at the manhole located approximately fifty feet (50') east of Carlile Street, midway between Virginia and Putnam Avenue
5) at the manhole north of the C & O Railroad crossing near Standard Foods
6) at the terminal manhole on the east side of Lynn Street near Interstate 64
7) at manhole #72 near the main pump station on Hurricane Creek near Hurricane High School
8) at the Force Main to the treatment plant just south of Interstate 64
9) at the following manholes on the new interceptor from Teays Valley to the pump station

1) Manhole #28

2) Manhole #73

3) Manhole #75

4) at a new manhole to be constructed between manhole #22 and #23

Additional points of service for future requirements or the discontinuance thereof shall be provided by an amendment or amendments to this contract as provided for in Article VIII of this contract.

## Article III Rates and Charges

a) South Putnam Public Service District will pay a charge per 1,000 gallons of sewage delivered by South Putnam into the Hurricane system as measured at the points of service set forth in Article II above or as computed from water use records as set forth in Article IV.

b) At the end of each fiscal year (June 30th) the Independent Accountant provided for in Article IX, paragraph 3 of the Agreement dated December 6, 1976 shall calculate on a per thousand (1,000) gallon basis, the amount that would have been necessary during the proceeding year to provide total revenues from South Putnam sufficient to pay South Putnam's proportionate share of the actual cost of operation and maintenance of the Hurricane treatment facility and of any of Hurricane's sewer lines used to provide and make available such services and facilities to South Putnam plus South Putnam's proportionate share of the principal of and interest on the outstanding bonds, the proceeds of which, or other necessary capital expenditures which, were used to design and construct such treatment facility and sewer line or lines. In computing the proportionate share, South Putnam shall receive a credit for the actual cost of operations and maintenance of the South Putnam line or lines used to provide and make service available to Hurricane plus Hurricane's proportionate share of the principal of and interest on the outstanding bonds, the proceeds of which, ot other necessary capital expenditures which, were used to design and construct such sewer line or lines. Such proportionate share shall be based upon the proportional relationship between the total number of gallons of sewage delivered by South Putnam into the Hurricane system and the total number of gallons of sewage treated at the Hurricane sewage treatment facility during the preceeding year.

1) The amount calculated pursuant to this Sub-paragraph "b", on a 1,000 gallon basis, shall then be the rate to be charged by Hurricane and to be paid by South Putnam during the next succeeding year and until the next annual review and recalculation.

2) In addition, the amount calculated pursuant to this Sub-paragraph "b" shall be applied retroactively to the bills for service rendered during the preceeding years and an appropriate adjustment shall be made either by refunding to South Putnam the amount of any overpayment or by paying to Hurricane the amount of any underpayment.

c) If at any time during the continuance of this contract or any renewal hereof, an accurate measurement of sewage flow is not available, corrections shall be made as set forth in Article IV, Paragraph d. below.

d) Bills will be rendered each calendar month by Hurricane to South Putnam for the services rendered by Hurricane during the preceeding calendar month, and each bill shall be payable at the office of Hurricane on or before the twentieth (20th) day after the date of such bill.

## Article IV Meters and Metering

a) Hurricane shall install, connect, maintain and operate at the following points of service meters as shall be necessary to measure and record the amount of sewage delivered by South Putnam into the Hurricane system.

1) East Hurricane Metering Station.

The terminal point of the Hurricane interceptor at the former boundary line of the Teays Valley Public Service District adjacent to Route 34 and the Hurricane Water Reservoir.

2) West Hurricane Metering Station.

At a point near the connection point of the existing Hurricane interceptor and the South Putnam interceptor between manhole 3018 A and B.

b) Hurricane shall install, connect, maintain and operate on the intake of influent line or lines into its sewage treatment plant such meters as shall be necessary to measure and record the amount of intake or influent into the sewage treatment plant.

c) All of the meters described in paragraphs a and b, Article IV, shall belong to Hurricane. The meters shall be read by Hurricane and tested and calibrated regularly by Hurricane and shall, at reasonable times, upon written request and in the presence of the duly authorized representative of South Putnam, be subject to such additional standard tests as may be necessary to establish their accuracy. In any event, each meter shall be tested and calibrated by Hurricane no less frequently than once every twelve (12) calendar months. Hurricane shall, at all times, maintain a ~~complete~~ Reasonable spare parts inventory, ~~and a standby transmitter and recorder for all meters.~~

d) South Putnam shall, under no circumstances, interfere with the meters. However, South Putnam may, at its own expense, install, connect, maintain and operate a recorder in its office to receive simultaneous flow records from each meter, and all meters shall be designed, installed, connected, and maintained in a manner to permit such connection by South Putnam. In case of defective service, South Putnam shall immediately give notice thereof to Hurricane. If tests show that a meter is not accurate, the meter shall be restored to a condition of accuracy satisfactory to the representatives of both parties. If the inaccuracy of any meter shall exceed two percent (2%), the previous readings of such meters shall be corrected for the two months previous to such test in accordance with the percentage of inaccuracy found by such test, but such correction shall not be for any period prior to the most recent date on which such meter was found to be accurate within the two percent (2%).

If any meter fails to register for any period, the amount of waste water furnished during such period shall be deemed to be the amount of waste water delivered in the corresponding period immediately prior to the failure, unless Hurricane and

South Putnam shall agree upon a different amount.

e) For those customers of South Putnam whose point of service is not provided with a waste water meter, Hurricane shall compute the waste water furnished from water consumption records plus infiltration and inflow. The infiltration inflow factor shall be established by the Independent Accountant provided for in Article IX of the December 6, 1976 Agreement. The Independent Accountant shall compute the infiltration rate for the unmetered service points by comparing the water consumption records and the pumping records at the various South Putnam lift stations with the flow records obtained from the West Hurricane waste water metering station identified in Article IV, a) 2. The infiltration factor shall then be applied to the total water consumption for all water customers receiving sewer service from South Putnam and for the 3,500 gallons of waste water allocated to each well customer receiving sewer service.

f) Hurricane shall provide South Putnam with monthly water use records for all South Putnam sewer customers receiving water service from Hurricane and South Putnam shall pay for this service at a fee to be determined and agreed upon. South Putnam shall provide Hurricane with a monthly record of all well customers and of the monthly water usage of all customers served by the unmetered sewer service points who are not Hurricane water customers.

## Article V. Treatment Standards and Indemnification

Hurricane shall provide, operate and maintain sewage treatment facilities sufficient to meet all applicable requirements of the Federal, State and local governments and governmental agencies, and shall assume responsibility for all sewage delivered to Hurricane by South Putnam at the point or points of service. Hurricane shall further defend, indemnify and save harmless South Putnam from any compliance order issued against said treatment facilities and from any claims, liability or damages against South Putnam arising out of the operation of the said treatment facilities or the handling and treatment of sewage delivered to it by South Putnam at the point or points of service.

## Article VI. Approval of Public Service Commission

It is understood that this contract is subject to approval by the Public Service Commission of West Virginia and the parties hereto agree to cooperate in submitting a petition to the Public Service Commission of West Virginia for approval of this contract in accordance with the rules and regulations promulgated by said Public Service Commission and the pertinent laws of West Virginia.

## Article VII. Service Within City Limits

a) That the City of Hurricane authorizes South Putnam to provide sewer service to the customers located between the C & O Railroad tracks and Virginia Avenue near the western boundary of Hurricane. Said customers of this area will be customers of the South Putnam Public Service District.

b) That the City of Hurricane authorizes South Putnam to remove certain Hurricane collection lines and service lines where such removal is necessitated by construction. The customers are to be immediately reconnected to the Hurricane line or connected to the new South Putnam line where this is more feasible. Said customers will remain customers of the Hurricane system and continue to pay their sewer charge to Hurricane.

## Article VIII. Modification

This contract may be modified by amendment mutually acceptable to and agreed upon by all of the parties to this agreement, provided that any such amendment is approved, ratified, and confirmed by ordinance adopted by the Council of the City of Hurricane.

## Article IX. Term

This contract shall remain in full force and effect for a period of forty (40) years, provided that unless either party gives written notice to the other party, not less that five (5) years prior to termination of the period, of an intention not to renew, this agreement shall be automatically reviewed on the same terms and conditions for succeeding terms of fifteen (15) years.

Article X. Relation To Previous Agreement

It is understood and agreed by the parties hereto that this contract is intended to supplement the agreement between the parties made and entered on December 6, 1976, remains in full force and effect, except that if and to the extent that there is any conflict between this contract and the Agreement of December 6, 1976, this contract shall control.

Article XI. Succession Or Assignment

This contract shall be binding upon and its benefits shall insure to the successors and assigns of the parties hereto and any sale or transfer by the perties hereto of all or any portion of their respective sewage collection and/or treatment systems shall be made in such a manner so that the rights of the parties to this contract shall be fully preserved and perpetuated.

IN WITNESS WHEREOF, The City of Hurricane, pursuant to an ordinance adopted by the Council of said City on Oct 10, 1981, has caused its name to be subscribed hereto by Raymond Peak, its Mayor, and The Sanitary Board of the City of Hurricane, pursuant to a resolution adopted by the Board scribed hereunto by D. M. Hoffman, its duly authorized Chairman, and attested by Fred Stollings ~~Secretary~~, the Secretary of said District, this the 10th day of August, 1981.

THE CITY OF HURRICANE

BY Raymond Peak
Mayor

THE SANITARY BOARD OF THE CITY

BY Raymond Peak
Chairman

ATTEST:
Georgia Greenawalt
Secretary-Treasurer

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

BY D. M. Hoffman
Chairman

ATTEST:
Fred A. Stollings

# WASTEWATER SEWER SERVICE AGREEMENT

THIS AGREEMENT, made this 14th day of April, 2003, by and between the CITY OF NITRO, West Virginia, a municipal corporation, and CITY OF NITRO REGIONAL WASTEWATER UTILITY, formerly referred to as THE SANITARY BOARD OF THE CITY OF NITRO, WEST VIRGINIA (hereinafter collectively referred to as "NITRO") and SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation, (hereinafter referred to as "DISTRICT").

WITNESSETH

WHEREAS, NITRO is responsible for the operation of a wastewater collection system and treatment plant (hereinafter referred to as "Nitro Plant"); and

WHEREAS, the DISTRICT is planning to provide wastewater collection system (excluding treatment service) services to its customers on the western side of Kanawha River located within its territorial boundaries as set forth by Orders of the Putnam County Commission (See Exhibit A); and

WHEREAS, the DISTRICT will charge certain rates and charges for the (excluding Treatment services) wastewater collection services provided to its customers throughout its service territory, including those customers located on the western side of Kanawha River; and

WHEREAS, NITRO's Plant has adequate design capacity to receive the anticipated wastewater discharge from the DISTRICT and NITRO agrees to reserve an adequate portion of its Plant's capacity for use by the DISTRICT, subject to the terms set forth herein; and,

WHEREAS, the DISTRICT desires to connect to Nitro's Plant and to be provided

with secondary, or higher when required by WVDEP and/or USEPA, treatment of wastewater delivered to the Plant by the DISTRICT.

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

## ARTICLE I.

## AGREEMENT OF PARTIES

A. NITRO

1. NITRO shall receive, treat and dispose of the DISTRICT's wastewater flow and shall maintain responsibility for discharge of treated wastewater in conformance and compliance with the applicable state and federal statutes, rules, and regulations, present and future.

2. NITRO shall make charges to the DISTRICT for such service in accordance with the provisions of Article IV below.

B. DISTRICT

1. The DISTRICT shall cause to be designed and constructed, at its own expense, a wastewater collection system within its boundaries sufficient to collect and transport its wastewater to designated points in the Nitro Plant. Said construction is contingent upon the availability to the DISTRICT of loan or grant financing from federal, state and/or county agencies upon such terms which, in its sole discretion, are acceptable to the DISTRICT. The DISTRICT shall retain full title to and ownership of its wastewater collection system constructed or upgraded by it.

2. The DISTRICT, if necessary, shall adopt and enforce sewer use ordinances as may be required to restrict or prohibit discharge of wastes which would be determined by NITRO to be harmful to the condition or performance of the Nitro

Plant or which would cause additional cost to treat such wastes over and above those expected for normal wastewater treatment.

3. The DISTRICT shall, subject to the approval of the Public Service Commission of West Virginia, pay NITRO the wastewater service charges calculated in accordance with Article IV below.

4. The DISTRICT shall cause the wastewater collected by it in the area of Teays Valley lying to the East of Crooked Creek, and in the Kanawha River watershed beginning at the Putnam/Kanawha County line extending down river to the area south of Hamrick Ranch along Route 35 to be treated only by NITRO during the term of this Agreement. The flow delivered by the DISTRICT to NITRO will be from residential, small business, commercial, authorized industrial, and all other customers which are connected to and served by the DISTRICT.

5. The DISTRICT may build or acquire treatment plants as it deems appropriate to meet the needs of its customers and its duty to extend service so long as flows from that area set forth in the foregoing Paragraph No. 4 are sent to NITRO for treatment in such limited wastewater flow per day as herein set forth.

C. ANNUAL MEETING.

1. NITRO and the DISTRICT agree that at least once during each fiscal year, the parties to this Agreement shall schedule a specifically designated meeting for the purpose of discussing business, rates, communications, complaints, suggestions and any related matters. Said meeting shall occur at a date mutually convenient to both parties and shall be scheduled at a mutually convenient time and place.

2. Should circumstances arise during the fiscal year, the parties hereto may

schedule additional meetings between each other to address matters.

## ARTICLE II.

## PLANT CONDITIONS

Nitro shall receive, treat and dispose of the DISTRICT's wastewater flow not to exceed 250,000 gallons per day at a maximum pumping rate of 1000 gallons per minute. When headworks of the treatment plant require an upgrade, the DISTRICT shall pay its proportionate share toward the cost of the upgrade. NITRO shall maintain responsibility for discharge of treated wastewater in accordance with the applicable State and Federal laws and regulations. The DISTRICT shall not be liable for fines or penalties as a result of discharge violations resulting from improper operation of the Plant; however, the DISTRICT shall be liable for any fine and/or penalty incurred as a result of discharge violations occurring at the Plant that are a direct result of the introduction of prohibited materials into the DISTRICT's collection system. The DISTRICT shall not exceed the limitation of wastewater per day into NITRO's wastewater treatment without prior approval of NITRO.

## ARTICLE III.

## WASTEWATER FLOW; METER REQUIREMENTS

The DISTRICT's wastewater is to be metered by a flow meter installed on the force main of the DISTRICT's system immediately before it discharges into Nitro's Plant. This meter shall be referred to as the "Nitro Plant Meter" as it will be located on the Nitro Plant premises. The DISTRICT shall be responsible for all costs associated with the installation of the flow meter. The DISTRICT may, at its own expense, install, connect, maintain and operate a recorder in its office to receive simultaneous flow records from

the Nitro Plant Meter to compare flow rates from the DISTRICT'S Nitro lift station located on the western side of the Kanawha River. If either meter is inaccurate by more than two percent (2%), the DISTRICT shall recalibrate the meters based upon a drawdown calculation at the NITRO lift station and the readings of the Nitro Plant Meter shall be corrected for the two (2) months previous to such test in accordance with the percentage of inaccuracy found by such test. Before the Nitro Plant Meter is calibrated, both NITRO and the DISTRICT must be aware of such calibration.

ARTICLE IV.

RATES AND CHARGES

The ~~rate~~ charge for treatment of the DISTRICT's wastewater by NITRO will be based upon the reading of the NITRO plant meter by NITRO personnel.

1. NITRO will bill the DISTRICT for two items excluding costs for expansion as set forth in Paragraph C herein: a.) In consideration of the 250,000 gallons per day reserve capacity set aside for the DISTRICT, NITRO will charge the DISTRICT the debt service associated with that portion of the Treatment Plant's capacity. Such charge shall be billed as debt payment as set forth in **Exhibit B.** b.) The portion of the plant that is utilized by the District will be billed to the DISTRICT as O & M on a per 1,000 gallons basis as set forth in **Exhibit B.**

A. After the first anniversary of the commencement of wastewater treatment services rendered pursuant hereto, and annually thereafter, NITRO's Accountant shall calculate, on a per 1,000 gallons basis, the amount that would have been necessary during the preceding year to provide total revenues from THE DISTRICT sufficient to pay THE DISTRICT'S

proportionate share of the actual cost of operation and maintenance of the NITRO Wastewater Plant plus the DISTRICT'S proportionate share of the debt payment on the unused portion of the DISTRICT'S reserve capacity at the NITRO Wastewater Treatment Plant. The rates for service shall be on a three (3) year rolling average of the DISTRICT'S share of cost.

(1) The amount calculated pursuant to this Subparagraph, on a 1,000 gallons basis, shall then be the rate to be charged by NITRO and to be paid by the DISTRICT during the next succeeding year and until the next annual review and recalculation.

(2) In addition, the amount calculated pursuant to Subparagraph A. shall be applied retroactively to the bills for service rendered during the preceding year, and an appropriate adjustment shall be made either by refunding to the DISTRICT the amount of any overpayment or by paying to NITRO the amount of any underpayment. Said adjustment can be spread over a period of up to twelve months, so long as the total amount is paid within the same fiscal year. The determination as to whether the payment will be paid over a period of months will be solely the responsibility of the party that is required to make the adjustment.

B. Bills will be rendered each calendar month by NITRO to the DISTRICT for the services rendered by NITRO during the preceding calendar month, and each such bill shall be payable at the office of NITRO

on or before the fifteenth (15th) day after the date of such bill.

C. In the event that NITRO's excess capacity is eighty percent (80%) committed as to use while this Agreement is in effect, then, and in such event, DISTRICT agrees to bear its pro-portionate pro-rata share of expansion costs to increase capacity through new construction. The extend of the DISTRICT's share of such expansion costs will be determined on the basis of the DISTRICT's demand for additional capacity. Such expansion costs shall be payable by DISTRICT as a long term debt under such terms as NITRO may incur to pay for such expansion costs.

2. The parties hereto shall, upon request, provide the other with an annual audit approved by the Public Service Commission of West Virginia or in Nitro's instance, the audit by the State Tax Department and related information as may be required.

## ARTICLE V.

## INDEMNIFICATION

The DISTRICT will obtain adequate insurance and shall keep in force, pay, and will protect indemnify and hold NITRO harmless from and against all liabilities, losses, damages, costs arid expenses, including attorneys fees and expenses of NITRO, causes of actions, suits, claims, demands, and judgments of any nature arising from:

(1) Any injury to or death of any person or damage to property in or upon the DISTRICT'S property or facilities, or growing out of or connected with the use, nonuse, condition or occupancy of the said DISTRICT'S property or facilities or a part thereof; such injuries and/or damage shall include any

and all injuries or damage which may occur due to any failure or malfunction of the DISTRICT'S lift stations caused by any flood, hail storm, windstorm, Act of God, and any and all unprecedented meteorological events; any repairs, construction or alterations or remodeling thereto as performed by the DISTRICT, their authorized agents or servants, excluding NITRO or its agents or servants, or the condition of the DISTRICT'S property or facilities including sidewalks, streets or alleys arid any equipment or facilities at any time located on the DISTRICT'S property or under the DISTRICT'S control and use in connection herewith.

It is the intent of this paragraph that neither party will subsidize the other's capital or operation and maintenance expenses and that all parties shall mutually benefit from this Agreement.

In the event the DISTRICT fails to perform any other term, obligation, or condition of this Agreement, the result of which is likely to cause irreparable harm or injury to NITRO facilities or otherwise constitute an emergency situation and the DISTRICT fails to correct such condition or default within thirty (30) days, unless a shorter time is deemed necessary by NITRO, after written notice by NITRO specifying such default, then NITRO shall have the right to undertake such corrective action and the DISTRICT shall be responsible for all costs and expenses incurred by NITRO or shall reimburse NITRO for such costs and expenses.

NITRO shall have the right to perform on-site inspections of the construction process on the portion of the DISTRICT'S collection system which will send wastewater to the Plant.

The DISTRICT shall be responsible for the performance of services, maintenance, and repairs on and for the DISTRICT'S wastewater collection and transportation system.

## ARTICLE VI.

## APPROVAL OF PUBLIC SERVICE COMMISSION

It is understood that this Agreement is subject to approval by the Public Service Commission of West Virginia and the parties hereto agree to cooperate in submitting a petition to the Commission for approval of this Agreement in accordance with the rules and regulations promulgated by said Commission and the pertinent laws of the State of West Virginia. In the event such approvals cannot be obtained for this Agreement as executed by the parties, then the parties agree to make a good faith effort to renegotiate such portions of the Agreement for which approval cannot be obtained.

## ARTICLE VII.

## MODIFICATION

This Agreement may be modified by amendment mutually acceptable to and agreed upon by all of the parties to this Agreement, provided that any such amendment is approved, ratified, and confirmed by ordinance adopted by the City Council of Nitro.

## ARTICLE VIII.

## TERM

This Agreement shall remain in full force and effect for a period of forty (40) years. Unless written notice of an intention not to renew is received sixty (60) days prior to the expiration of the period, this Agreement shall be automatically reviewed on the same terms and conditions for succeeding terms of fifteen (15) years.

## ARTICLE IX.

## SUCCESSION OF ASSIGNMENT

This Agreement shall be binding upon and its benefits shall inure to the successors or assigns of the parties hereto and any sale or transfer by the parties hereto of all or any portion of their respective sewage collection and/or treatment systems shall be made in such manner so that the rights of the parties to this Agreement shall be fully preserved and perpetuated.

IN WITNESS WHEREOF, the parties hereto have made and executed this SEWER SERVICE AGREEMENT by their appropriate officers as of the day and year first above written.

THE CITY OF NITRO

By: _____
Its: Mayor

ATTEST:

_____
Its: Clerk

CITY OF NITRO REGIONAL WASTEWATER UTILITY

By: _____
Its: Chairman

ATTEST:

_____
Its: General Manager

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

By: _____

Its: Chairman

ATTEST:

Its: Secretary GENERAL MANAGER

STATE OF WEST VIRGINIA,
COUNTY OF Putnam, to-wit:

I, Jason E. Henderson, a Notary Public in and for said state and county, do hereby certify that Rusty Casto, whose name is signed to the writing above in his capacity as Mayor of the CITY OF NITRO, has this day acknowledged the same before me on this 14 day of April, 2003.

OFFICIAL SEAL
NOTARY PUBLIC, STATE OF WEST VIRGINIA
JASON E. HENDERSON
SOUTH PUTNAM PSD
P. O. BOX 147
SCOTT DEPOT, WV 25560
My Commission Expires March 18, 2012

NOTARY PUBLIC

My commission expires 3-18-2012

STATE OF WEST VIRGINIA,
COUNTY OF Putnam, to-wit:

I, Jason E. Henderson, a Notary Public in and for said state and county, do hereby certify that Rusty Casto, whose name is signed to the writing above in his capacity as Chairman of the CITY OF NITRO REGIONAL WASTEWATER UTILITY, has this day acknowledged the same before me on this 14 day of April, 2003.

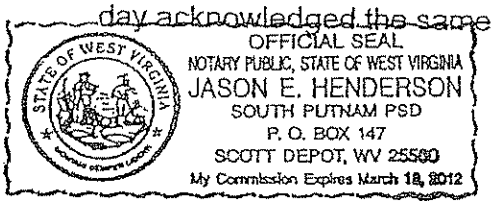
OFFICIAL SEAL
NOTARY PUBLIC, STATE OF WEST VIRGINIA
JASON E. HENDERSON
SOUTH PUTNAM PSD
P. O. BOX 147
SCOTT DEPOT, WV 25560
My Commission Expires March 18, 2012

NOTARY PUBLIC

My commission expires 3-18-2012

STATE OF WEST VIRGINIA,
COUNTY OF PUTNAM, to-wit:

I, JASON E. HENDERSON, a Notary Public in and for said state and county, do hereby certify that Leff Moore, whose name is signed to the writing above in his capacity as Chairman of the South Putnam Public Service District, has this day acknowledged the same before me on this 14 day of APRIL 2003.




NOTARY PUBLIC

My commission expires 3-18-2012.

AGREEMENT

This AGREEMENT Made this 22nd day of June, 2001, by and between the TOWN OF ELEANOR, a municipal corporation, hereinafter designated as TOWN, the SANITATION BOARD OF THE TOWN OF ELEANOR, hereinafter designated as BOARD, and the SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia, hereinafter designated as DISTRICT:

WITNESSETH:

WHEREAS, the TOWN owns and the BOARD is responsible for the operation of a wastewater treatment plant ("Plant"); and,

WHEREAS, the DISTRICT is planning to construct a sanitary sewer collection system on the north side of the Kanawha River within the DISTRICT'S territory, as described in the orders of the Putnam County Commission, and to apply certain rates and charges for the sale of its services to its customers throughout the DISTRICT'S territory, including those on the north side of the Kanawha River; and,

WHEREAS, the TOWN and the BOARD agree to reserve an adequate portion of the design capacity of the Plant for use by the DISTRICT, subject to the terms set forth herein; and,

WHEREAS, the DISTRICT desires to connect to the Plant and to be provided with secondary, or higher grade-when required, treatment of wastewater delivered to the Plant by the DISTRICT; and,

NOW, THEREFORE, in consideration of the recitals, the parties do hereby agree as follows:

1. The DISTRICT shall design and cause to be constructed, at its sole cost, a sanitary sewer collection system meeting generally accepted sanitary engineering standards which will collect sewage from the DISTRICT'S territory to be transported to the Plant, with construction contingent upon the availability of loan or grant financing for such construction from federal, state and/or county agencies upon such terms that the District, in its sole discretion,

finds acceptable.

2. The TOWN and the BOARD shall receive, treat and dispose of the DISTRICT's wastewater. The BOARD shall maintain responsibility for discharge of treated wastewater in accordance with State and Federal laws and regulations; the DISTRICT shall not be liable for fines or penalties as a result of discharge violations resulting from improper operation of the Plant; however, the DISTRICT shall be liable for any fine and/or penalty incurred as a result of discharge violations occurring at the Plant that are a direct result of the introduction of prohibited materials into the DISTRICT'S collection system.

3. The initial fee for treatment of the DISTRICT'S wastewater is hereby established as **$1.35 per 1,000 gallons** of flow. The rate contained herein is to be based upon flow metered at a point of delivery from the DISTRICT'S facilities to the BOARD'S treatment plant, or at a location mutually agreed to by the parties herto. The parties hereto agree that the aforesaid fee has been mutually agreed to prior to any treatment and disposal of the DISTRICT'S wastewater. This fee may be changed from time to time by execution of an addendum or amendment by all parties to this agreement. In the event the parties fail to agree to a change in fee, any party may file a formal case with the Public Service Commission of West Virginia for determination of an appropriate fee.

4. The cost of the metering facilities shall be at the sole cost to the DISTRICT in a manner and with equipment satisfactory to the BOARD. In the event of a malfunction of the meter, the charge to the DISTRICT for treatment by the BOARD shall be based on comparable historical usage adjusted by any change in customers.

5. If the BOARD and the TOWN, in their discretion, determine that the NPDES permit needs to be modified in order for the TOWN and the BOARD to lawfully accept, treat, and discharge the wastewater from the DISTRICT as provided herein, the DISTRICT will be

responsible for paying the direct costs of obtaining a modification to the NPDES permit. This paragraph does not obligate the DISTRICT to pay for any upgrades, repairs or replacements to the existing facilities at the Plant or in the wastewater collection and transportation facilities of the TOWN and the BOARD.

6. The DISTRICT shall submit to the BOARD one (1) copy of the DISTRICT'S construction plans and specifications to allow the BOARD sufficient time to review and approve the documents or allow for comments to be resolved.

7. The BOARD shall have the right to perform on-site inspections of the construction process and/or shall be part of the inspector qualification process, before construction begins on the portion of the DISTRICT'S collection system which will send wastewater to the Plant.

8. Within sixty (60) days after completion of construction, the DISTRICT shall provide to the BOARD one (1) set of "As-Built" plans and all records of "Hook-Ons."

9. The DISTRICT shall be responsible for the performance of service, maintenance, and repairs on and for the DISTRICT'S sanitary sewer collection and transmission system.

10. The DISTRICT shall be responsible for the inspection of the installation of all service lines which will connect to the DISTRICT'S sanitary sewer collection system to ensure that such service lines do not permit substantial inflow and infiltration. The DISTRICT may make extensions to serve new customers, consistent with the Rules for the Government of Sewer Utilities, 150 WVCSR Series 5, and decisions of the Public Service Commission of West Virginia and the Supreme Court of Appeals of West Virginia.

11. The DISTRICT agrees that in the event of the connection of an industrial or commercial customer with unusual waste discharge, it shall undertake an evaluation of the

connection on a case-by-case basis, to determine what requirements, if any, shall be imposed to insure the integrity of the DISTRICT'S system and the BOARD's plant. Such evaluation shall determine the appropriate rates or fees the DISTRICT will charge for such unusual waste and the extent of any pretreatment requirements to be followed by the customer. Such evaluation shall be approved by the BOARD. The DISTRICT shall be responsible for maintaining compliance with any pretreatment requirements.

12 The BOARD shall invoice the DISTRICT for all services on a monthly basis and the DISTRICT shall pay such invoices within twenty (20) days of receipt.

13. The fees and charges made to the DISTRICT by the BOARD for providing the agreed upon services may be modified by agreement from time to time with the objective that the BOARD will receive fair compensation for providing said services and that no party will subsidize any other's capital or operation expenses. The intent of this Agreement is that all parties shall benefit.

14. The parties hereto shall, upon request, provide each other with financial reports and related information as may be required.

15. The parties hereto shall meet, at least annually, and as otherwise needed at a mutually agreed upon time and location, to discuss business, rates, communications, complaints, suggestions, etc., between the parties.

16. This Agreement represents the entire understanding of the parties and supercedes all written or oral representations made by any of the parties. This Agreement may only be modified by the parties by written execution by all of the parties of an amendment or addendum.

17. This Agreement is made by the parties hereto subject to the review and approval of the Public Service Commission of West Virginia and likewise all modifications made to this Agreement and pursuant to its terms shall be subject to the same review and approval.

18. The length and duration of this Agreement and any amendments or addendum to this Agreement shall be for a period of forty (40) years from the date of this Agreement.

IN WITNESS WHEREOF, the parties hereto have made and executed this Agreement by their appropriate officers as of the day and year first above written.

ATTEST:

Paul E. Rogers, Sr

TOWN OF ELEANOR

BY Walter F Halstead

MAYOR

ATTEST:

Paul E. Rogers, Sr

SANITATION BOARD OF THE TOWN OF ELEANOR

BY Walter F Halstead

CHAIRMAN

ATTEST:

R Jane Carter

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

BY Carl S Coffman II

CHAIRMAN

soput\eleanor\agree

ORIGINAL

ENTERED

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
3-4-02
By Commission Order

Entered: February 25, 2002

CASE NO. 01-0597-PSD-CN

SOUTH PUTNAM PUBLIC SERVICE DISTRICT,
a public utility.

Application for a certificate of convenience and necessity to provide sewer service to residents of Hollywood Drive and the Route 35/Interstate 64 interchange located in the Teays Valley area, to upgrade the District's central interceptor system located in Teays Valley, to provide sewer service to the new 200-acre Putnam Business Park and the Lock Nine area, to develop a Facilities Plan and to refinance existing debt.

RECOMMENDED DECISION

On August 17, 2001, South Putnam Public Service District, a public utility, filed an application, duly verified, for a certificate of convenience and necessity to construct and operate a sanitary sewer project to provide service to the residents of Hollywood Drive and the Route 35/Interstate 64 interchange located in the Teays Valley area, to upgrade the District's central interceptor system located in the Teays Valley area so as to provide additional excess capacity needed by the District 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, and to develop a Facilities Plan providing the District with guidelines for the future development of its sewer system to provide for the unserved areas of the District's territory and the area immediately adjacent thereto.

The Applicant, South Putnam Public Service District, originally estimated that this project would cost $10,900,000. The District proposed to finance the construction of this project with interim financing from the Putnam County Bank in an amount not to exceed $1,000,000 accruing interest at the prime interest rate plus 2%, not to exceed 8%, to be replaced by permanent project financing consisting of a loan from the West Virginia Water Development Authority in an amount not to exceed $6,260,000, for a term not to exceed forty (40) years at an interest rate not to exceed 6%, and a loan from the State Drinking Water Treatment Revolving Fund in an amount not to exceed $4,640,000, at an interest rate not to exceed 3% interest, for a term not to exceed twenty (20) years.

Public Service Commission
West Virginia
Charleston

South Putnam Public Service District proposed to increase its rates and charges as a result of this project as follows:

SCHEDULE NO. 1

APPLICABILITY

Applicable inside and outside of the boundaries of the District.

AVAILABILITY OF SERVICE

Available for metered domestic, commercial and industrial sewer service, except unusual industrial waste.

RATE

| | |
|---|---|
| Each 1,000 gallons used per month | $5.09 per 1,000 gallons |

MINIMUM BILL

$10.18 per month

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full within 20 days of the date of bill, 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.

ALTERNATIVE MEASUREMENT OF SEWAGE

Customers having water use which results in a substantial portion of the water purchased not being discharged into the sanitary sewer system shall be entitled, at the option and sole cost of the customer, to request South Putnam Public Service District to purchase, install and maintain special meters to measure the volume of waste water discharged into the sanitary sewer system. The customer shall advance to the District, upon demand, the District's estimated cost of purchase and installing the meter and upon installation of such waste discharge meter the rates of the customer shall be based upon the volume of waste discharged into the system rather than upon the volume of water purchased by the customer. Normal expenses incurred by the District for the maintenance of the meter shall be billed to the customer; the customer shall advance to the District, on demand, the District's estimated cost of any unusual maintenance.

This application was properly prefiled with the Public Service Commission on May 3, 2001, and published for public legal notice on May 10 and 17, 2001, in The Putnam Democrat and The Hurricane Breeze, newspapers duly qualified by the Secretary of State, published and of general circulation in Putnam County. These publications were required by, and in accordance with, a Commission Order entered May 3, 2001.

Pursuant to the actual filing of this application on August 17, 2001, and by a Revised Notice of Filing entered August 21, 2001, the District was required to give public legal notice of the actual filing of this application by publishing a copy of the Revised Notice of Filing once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Putnam County, West Virginia. The Revised Notice contained the proposed increased rates and charges required by this project as well as a provision that anyone desiring to make objection to this application must do so in writing, within thirty (30)

Public Service Commission
West Virginia
Charleston

days after the date of publication of the Revised Notice. The Revised Notice further provided that, if no protests or objections were timely received, the Commission may waive formal hearing and grant the application based on the evidence submitted with the application and its review thereof.

On September 5, 2001, the District filed duly executed Affidavits of Publication demonstrating publication of the Revised Notice of Filing in The Hurricane Breeze and The Putnam Democrat on August 30, 2001, all in accordance with said Notice.

In response to the publication of the Revised Notice of Filing, two letters of protest to this application were filed with the Commission on September 20 and 27, 2001. Both letters were concerned with the proposed routing of a sewer transportation main through the Mill Creek Crossing subdivision in Teays Valley, Putnam County, and were not generally opposed to the project.

On September 25, 2001, the Staff of the Public Service Commission filed its Initial Joint Staff Memorandum in this matter. Staff stated that its review of this project was continuing and that a final recommendation would be forthcoming when all requested information and documentation had been received and investigated.

By a Commission Referral Order entered October 1, 2001, this application was referred to the Division of Administrative Law Judges for further proceedings with a decision due date of March 19, 2002.

Pursuant to a request from Commission Staff, the District filed, on October 5, 2001, a copy of a letter from the West Virginia Department of Environmental Protection (DEP), approving the revised plans and specifications for this project.

On October 11, 2001, Commission Staff filed its second formal request for interrogatories, data and information from the District.

By a Procedural Order entered October 29, 2001, this matter was scheduled for hearing to be held on December 19, 2001, in Putnam County. Additionally, the Applicant was required to publish a prepared Notice of Hearing, once a week for two (2) consecutive weeks, in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Putnam County.

On November 13, 2001, William B. Goode, a Protestant, filed a letter stating that this right-of-way concerns had been addressed by the District and that he wanted to withdraw his letter of protest to this project. Mr. and Mrs. Monroe, also Protestants, filed a similar request on November 19, 2001. These filings effectively removed the previous formal protests filed to this application.

On December 7, 2001, Commission Staff filed its Final Joint Staff Memorandum in this matter. Staff pointed out that this project actually consists of at least five components intended to both extend the system to new areas and to upgrade and modernize existing outdated parts of the interceptor system. The District has been issued a letter of approval for the plans and specifications for this project from the West Virginia

Department of Environmental Protection (SRF No. C-544276), on October 3, 2001. Pursuant to its review of these plans and specifications, Technical Staff stated that they are in general conformance with the Commission's Rules and Regulations. The proposed project is necessary because it will serve numerous new customers currently using failing septic systems, eliminate current overload of the District's collection system and allow for future growth and economic development. The project is convenient in that it does not financially burden the District's customers. In conclusion, Staff recommended that the District's application for a certificate of convenience and necessity be approved. Staff also noted that, with the resolution of the concerns of Mr. Goode and Mr. and Mrs. Monroe, this application was unprotested.

On December 11, 2001, the District filed duly executed Affidavits of Publication demonstrating publication of the prepared Notice of Hearing on November 22 and 29, 2001, in The Hurricane Breeze and The Putnam Democrat, newspapers, all in accordance with the Procedural Order entered October 29, 2001.

The hearing in this matter convened as scheduled on December 19, 2001, with all parties in attendance. The Applicant, South Putnam Public Service District, was present in the person of its General Manager and was represented by its attorney, Robert R. Rodecker. Commission Staff was present and represented by Staff Attorney Cassius H. Toon and Cecelia G. Jarrell. On January 3, 2002, an accurate transcript of this proceeding, consisting of fity-one (51) pages of testimony was filed with the Commission.

## EVIDENCE

At hearing, the Applicant called its General Manager, Fred D. Stottlemyer, as its first witness. Mr. Stottlemyer stated that part of this project, as currently structured, would result in a substantial reduction in the original interest rate. The Rural Utility Service (R.U.S.) of the U.S. Department of Agriculture has offered funding for this project at a lower rate than the West Virginia Water Development Authority. Current R.U.S. indebtedness will not be refinanced. Additionally, 1.4 million dollars will be borrowed from the Clean Water Assistance Fund. Interim financing in the amount of one million dollars will be provided by the Putnam County Bank. A letter from the bank confirming this interim loan was introduced into evidence by the District. A letter confirming the commitment from the State Revolving Fund was also introduced. An additional letter from RUS confirming financing in the amount of $7,078,000 is expected as well. The more favorable interest rates arranged by the District will result in a slightly lower rate than first proposed for this project. Bids have already been opened on this project and apparently the construction costs are going to be less than expected. The bids are valid for ninety days. (Tr., pp. 9-18).

The District called its certified public accountant, Ralph W. Bassett, Jr., as its next witness. Mr. Bassett is an experienced utility accountant and prepared the District's Rule 42 Financial Exhibit previously filed in this case. As a result of the changes in the

proposed method of financing for the project, he also prepared a revised Rule 42 Financial Exhibit, which was introduced into evidence. The Rule 42 Exhibit had been revised to reflect the lower than anticipated interest rate. Under the new financing, this project will require a 16.5% increase in rates, rather than the 18% originally calculated. (Tr., pp. 18-23).

This concluded the testimony at hearing related to this certified case. Additional testimony was taken concerning a companion case, Case No. 99-0275-PSD-PC, seeking approval of the engineering agreement on this project.

On January 3, 2002, a letter of protest was filed in this matter by Thomas W. Milam, concerning the repair and replacement of roadways disturbed by the construction contemplated by this project. Mr. Milam was not opposed to the sewer project itself.

Likewise, on January 10, 2002, John S. Shannon filed a letter of protest in this matter, but, again, the protest involved the placement and acquisition of easements or rights-of-way and not opposition to the sewer project generally.

On January 19, 2002, the District filed its Exhibit No. 3, as reserved at hearing, which was the letter of commitment from the USDA Rural Utility Service for a loan of $7,078,000.00. The interest rate would be the lower of the rate in effect at the time of loan approval or at the time of loan closing, which should be 5% or less for a term of forty (40) years.

On January 24, 2002, the District filed a letter in this matter, which, among other things, requested that the Commission approve the addition of approximately fifty (50) additional customers to this project in the Midway area of Putnam County. These additions would be funded from project surplus funds resulting from the lower than expected construction bids.

On February 8, 2002, Commission Staff filed a Further Joint Staff Memorandum in this matter. Staff noted that the District had filed an RUS letter of conditions indicating that agency's commitment to loan the District $7,078,000.00 at an interest rate of 5% for a term of four (4) years. On January 24, 2002, the District filed an executed Form RD 1940-1, in confirmation of said financing. Additional funding in the form of a loan in the amount of $1,422,000 from the State Revolving Fund was also recognized in that letter. Due to a substantial underbid of approximately $1,000,000.00, and resulting funding complications which would otherwise result, Staff recommended approval of the use of the surplus funds to add previously unserved customers in the Midway area of Putnam County. Staff recommended approval of the application as amended by the District's revised Rule 42 Financial Exhibit. However, Staff recommended that the use of the approximate $1,000,000 in underbid construction funds be restricted until the District filed a supplement to the original engineering agreement on the project for Staff review and Commission approval. The supplement to the engineering agreement should include information such as drawings, project cost, O&M cost and other items of expense required by the additional customers.

On February 15, 2002, the West Virginia Department of Environmental Protection filed a Memorandum in this matter committing to a loan in the amount of $1,422,000.00, at an interest rate of 2% and an administrative fee of 1% for a term of twenty (20) years. Closing on this loan is scheduled for March 7, 2002.

As of the date of this Recommended Decision, the District has not filed any objection to the Further Joint Staff Memorandum filed February 8, 2002.

## DISCUSSION

This major project by the South Putnam Public Service District will not only expand the District's service area to additional residential and commercial customers, but will also improve and modernize the central collection system to allow for continuing growth. It has met with no formal general protest and is apparently supported by both the customer base and public officials from that region. Such individual letters of protest that were received involved particular problems with roads or rights-of-way and were either satisfied by the Applicant or will be dealt with thorough condemnation proceedings.

Consequently, this application will be approved, as revised, and a certificate of convenience and necessity will be issued for the construction and operation of this project.

## FINDINGS OF FACT

1. On August 17, 2001, South Putnam Public Service District, a public utility, filed an application, duly verified, for a certificate of convenience and necessity to construct and operate a sanitary sewer project to provide service to the residents of Hollywood Drive and the Route 35/Interstate 64 interchange located in the Teays Valley area, to upgrade the District's central interceptor system located in the Teays Valley area so as to provide additional excess capacity needed by the District 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, and to develop a Facilities Plan providing the District with guidelines for the future development of its sewer system to provide for the unserved areas of the District's territory and the area immediately adjacent thereto. (See, Application filed August 17, 2001).

2. This application was properly prefiled with the Public Service Commission on May 3, 2001, and published for public legal notice on May 10 and 17, 2001, in The Putnam Democrat and The Hurricane Breeze, newspapers duly qualified by the Secretary of State, published and of general circulation in Putnam County. These publications were required by, and in accordance with, a Commission Order entered May 3, 2001. (See, prefiling May 3, 2001; Affidavits of Publication; Commission Order entered May 3, 2001).

3. Pursuant to the actual filing of this application on August 17, 2001, and by a Revised Notice of Filing entered August 21, 2001, the District was required to give public legal notice of the actual filing of this application by publishing a copy of the Revised Notice of Filing, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Putnam County, West Virginia. The Revised Notice contained the proposed increased rates and charges required by this project as well as a provision that anyone desiring to make objection to this application must do so in writing, within thirty (30) days after the date of publication of the Revised Notice. (See, Revised Notice of Filing entered August 21, 2001).

4. On September 5, 2001, the District filed duly executed Affidavits of Publication demonstrating publication of the Revised Notice of Filing in The Hurricane Breeze and The Putnam Democrat on August 30, 2001, all in accordance with said Notice. (See, Affidavits of Publication filed September 5, 2001).

5. All letters of protest filed in this matter concerned individual disputes over rights-of-way or road repair, and were either satisfied by the District or left for resolution in condemnation proceedings. (See, Letters filed September 20 and 27, 2001, November 13 and 19, 2001, and January 3 and 10, 2002; Final Joint Staff Memorandum filed December 7, 2001).

6. The revised plans and specifications of this project have been approved by the West Virginia Department of Environmental Protection and are in conformance with the rules and regulations of the Public Service Commission. (See, Letter filed October 5, 2001; Final Joint Staff Memorandum filed December 7, 2001).

7. This proposed project is necessary because it will serve numerous new customers currently using failing septic systems, eliminate current overload of the District's collection system and allow for future growth and economic development in the District's expanded service territory. (See, Final Joint Staff Memorandum filed December 7, 2001).

8. This project is convenient in that it is economically feasible and does not financially burden the District's customers. (See, First Joint Staff Memorandum filed December 7, 2001).

9. On December 11, 2001, the District filed duly executed Affidavits of Publication demonstrating publication of the prepared Notice of Hearing on November 22 and 29, 2001, in The Hurricane Breeze and The Putnam Democrat, newspapers, all in accordance with the Procedural Order entered October 29, 2001.

10. No customers of the District appeared at hearing to protest this application. (See, Tr., pp. 5-51, generally).

11. At hearing, the District stated that it had revised the funding for this project to gain the advantage of a lower interest rate. (See, Tr., pp. 9-18).

12. As a result of the change in funding, the District has prepared and submitted a revised Rule 42 Exhibit reflecting lower rates required for the project. (See, Tr., pp. 18-23; Hearing Exhibit No. 4).

13. The United States Department of Agriculture Rural Utility Service has agreed to loan the District $7,078,000.00, at an interest rate of not more than 5% for a term of forty (40) years. (See, Letter filed January 13, 2002; Hearing Exhibit No. 3, Form RF 1940-1 filed January 24, 2002).

14. The West Virginia Department of Environmental Protection has agreed to loan the District $1,422,000, at an interest rate of 2% and an administrative fee of 1% for a term of 20 years, for this project. (See, Letter filed February 15, 2002).

15. Pursuant to a substantial underbid on this project of approximately $1,000,000.00, the District proposed, and the funding agencies have approved, the addition of approximately 50 new customers to this project in the Midway area of Putnam County. (See, Letters filed January 24, 2002, and February 5, 2002).

16. Pursuant to its review of this revised application and all documentation filed herein, the Staff of the Public Service Commission has recommended approval of this application, as amended by the revised Rule 42 Financial Exhibit, to include the additional extensions and service connections to the 50 new customers in the Midway area of Putnam County. This recommendation is conditioned upon the District filing a supplement to the original engineering agreement on this project for Staff review and Commission approval. (See, Further Joint Staff Memorandum filed February 8, 2002).

17. As of the date of this Recommended Decision, the Applicant has not filed any objection to the Further Joint Staff Memorandum filed on February 8, 2002. (See, Commission case file generally).

## CONCLUSION OF LAW

Under the facts and circumstances of this case and the recommendation of Commission Staff, it is reasonable to approve the application, as revised, filed herein on August 17, 2001, and issue a certificate of convenience and necessity to the South Putnam Public Service District for the construction and operation of the sewer improvement project described therein. This certificate shall include the additional customers to be added in the Midway area of Putnam County, to the extent that surplus funds are available.

## ORDER

IT IS, THEREFORE, ORDERED that the application filed on August 21, 2001, by the South Putnam Public Service District and as revised herein, shall be approved, and that a certificate of convenience and necessity

will be issued for the construction and operation of the sewer improvement project detailed therein.

IT IS FURTHER ORDERED that the South Putnam Public Service District is authorized to accept and use a United States Department of Agriculture Rural Utilities Service loan in the amount of $7,078,000, at an interest rate not to exceed 5% and a term or forty (40) years for said project, as well as a loan from the West Virginia Department of Environmental Protection, Clean Water State Revolving Fund, in the amount of $1,422,000, at an interest rate of 2% and an administrative fee of 1% for a term of 20 years, for the project approved herein.

IT IS FURTHER ORDERED that the Applicant shall be authorized to accept and use, as interim financing, a loan from the Putnam County Bank in an amount not to exceed $1,000,000, at an interest rate of prime rate plus two percent (2%) and to be repaid as the primary project financing becomes available.

IT IS FURTHER ORDERED that, before additional customers are added to this project in the Midway area of Putnam County, the District shall be required to file a supplement to the engineering agreement for this project for Staff review and Commission approval.

IT IS FURTHER ORDERED that the Treatment Agreement with the Town of Eleanor, submitted for Commission approval, shall be approved, and Paragraph Three, therein, shall be amended to state that any amendments to the agreement, or treatment fees contained therein, must be submitted to and approved by the Public Service Commission.

IT IS FURTHER ORDERED that the South Putnam Public Service District shall be authorized to charge and collect increased rates and charges as contained in the District's Proposed Tariff filed in its revised Rule 42 Exhibit, Hearing Exhibit No. 4, and attached hereto as Appendix A, for all service rendered on and after the date the District's project engineer certifies this project as substantially complete. The District shall file with the Commission an original and five (5) copies of its actual new tariff within thirty (30) days of its first use.

IT IS FURTHER ORDERED that, should any changes in the plans, scope or terms of this project occur, that were not approved in this Recommended Decision, the Applicant shall be required to submit said changes and specifications for subsequent review and approval of the Public Service Commission.

IT IS FURTHER ORDERED that the Applicant shall notify the Public Service Commission, in writing, when the project engineer has performed the substantial completion inspection and certified this project as operational, and further, that this matter be removed from the Commission's docket of open cases.

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

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

within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

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

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

Thomas N. Trent
Administrative Law Judge

TNT:jas
010597aa.wpd

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

CASE NO. 01-0597-PSD-CN

APPROVED RATES

SCHEDULE NO. 1

APPLICABILITY

Applicable inside and outside of the boundaries of the District.

AVAILABILITY

Available for metered domestic, commercial and industrial sewer service, except unusual industrial waste.

RATE

| | |
|---|---|
| Each 1,000 gallons used per month | $5.02 per 1,000 |

MINIMUM BILL

$10.04 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.

ALTERNATIVE MEASUREMENT OF SEWAGE

Customers having water use which results in a substantial portion of the water purchased not being discharged into the sanitary sewer system shall be entitled, at the option and sole cost of the customer, to request South Putnam Public Service District to purchase, install and maintain special meters to measure the volume of waste water discharged into the sanitary sewer system. The customer shall advance to the District, upon demand, the District's estimated cost of purchase and installing the meter and upon installation of such waste discharge meter the rates of the customer shall be based upon the volume of waste discharged into the system rather than upon the volume of water purchased by the customer. Normal expenses incurred by the District for the maintenance of the meter shall be billed to the customer; the customer shall advance to the District, on demand, the District's estimated cost of any unusual maintenance.

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of West Virginia
Charleston

## SCHEDULE NO. 2

APPLICABILITY

Applicable inside and outside of the boundaries of the District.

AVAILABILITY

Available for sanitary sewer service to unmetered water users and users who obtain water from wells.

FLAT RATE

$15.06 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. 5

APPLICABLE INSIDE AND OUTSIDE OF THE CORPORATE LIMITS OF THE SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the South Putnam 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 the 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 South Putnam Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO THE DISTRICT'S SANITARY SYSTEM

Wherever the District has discovered that a customer's roof drain, downspout, storm sewer or similar facilities conducting surface water have been connected to the District's sewer system, and such customer has failed to take appropriate action, within thirty (30) days or receipt of a demand by the District, in accordance with the Rules and Regulations of the Public Service Commission, to eliminate such connect, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

S = A x R x.0006233 x C

S = The surcharge in dollars

A = The area under roof and/or the area of any other water collecting surface

Public Service Commission
West Virginia
Charleston

connected to the sanitary sewer in square feet.

R = The measured monthly rainfall in inches

.0006233 = A conversion factor to change inches of rain x square feet of surface to thousands of gallons Of water

C = $5.02-The District's approved rate per thousand gallons of metered water usage

The District shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing, or on-site inspection that rain or surface water is being introduced into the sanitary sewer system at the customer's location and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules and Regulations of the Public Service Commission of West Virginia.

Public Service Commission
of West Virginia
Charleston

STATE OF WEST VIRGINIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
DIVISION OF WATER AND WASTE MANAGEMENT
601 57TH STREET SE
CHARLESTON, WV 25304-2345

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
WATER POLLUTION CONTROL PERMIT

NPDES PERMIT NO.: WV0028045
SUBJECT: Sewage

ISSUE DATE: June 29, 2007
EFFECTIVE DATE : July 29, 2007
EXPIRATION DATE: June 28, 2012
SUPERSEDES: Permit No. WV0028045 dated April 12, 2002; Permit No. WV0083101 dated January 17, 2002; Permit No. WV0084051 dated March 06, 2002

LOCATION: SCOTT DEPOT (City) Putnam (County) Lower Kanawha River (Drainage Basin)

See the next page for a list of Outlets.

TO WHOM IT MAY CONCERN:

This is to certify that: PUTNAM PSD
PO BOX 860
SCOTT DEPOT, WV 25560-0860

**is hereby granted a West Virginia NPDES Water Pollution Control Permit to:**
HOMETOWN AREA COLLECTION SYSTEM AND WWTP

To operate and maintain an existing 250,000 gpd wastewater collection and treatment system that serves the Hometown/Bancroft/Red House area and the Shawnee Estates area of the Putnam PSD. The system serves approximately 760 customers and discharges treated and disinfected wastewater via Outlet No. 001 to Little Guano Creek into a backwater area of the Kanawha River (approximately 0.1 of a mile from the main channel). This system is described as follows: The collection system consists of various sizes and lengths of gravity sewer line, 190 manholes, 5 lift stations, and various sizes and lengths of force main. The 250,000 gpd contact stabilization treatment plant consists of a manual barscreen, a grit chamber, two (2) 15,629 gallon aeration chambers, two (2) 36,547 gallon re-aeration chambers, two (2) 21,427 gallon clarifiers, chlorine disinfection with two (2) 3,489 gallon contact tanks, two (2) 2,000 square foot drying beds and all other necessary appurtenances.

Also, to acquire, construct, install, operate and maintain an upgrade to the existing Hometown WWTP. The upgrade consists of the replacement of the mechanical bar sceen, replacement of the diffusers in the contact stabilization treatment units with fine bubble diffusers, a new dechlorination system, an effluent flow measuring device, and a new effluent pump station with additional force main, and all other necessary appurtenances, in order to discharge treated and disinfected wastewater via Outlet 002 to the main channel of the Kanawha River (MP 33.9).

FRAZIERS BOTTOM/ MIDWAY COLLECTION SYSTEM

To operate and maintain an existing wastewater collection system only. The system consists of various sizes and lengths of gravity collection lines, various manholes and cleanouts, lift stations, individual grinder pumps, various sizes and lengths of force main, and all other necessary appurtenances. The system serves the

customers in the Fraziers Bottom/Midway area of the Putnam PSD and conveys wastewater to the Town of Eleanor collection and treatment system for ultimate treatment and discharge.

TEAYS VALLEY/HURRICANE AREA COLLECTION SYSTEM

To operate and maintain an existing wastewater collection system only. The system consists of various sizes and lengths of gravity sewer line, necessary manholes and cleanouts, lift stations, individual grinder pumps, various sizes and lengths of force main, and all other necessary apputenances. The collection system serves customers of the Teays Valley/Hurricane area of the Putnam PSD and conveys wastewater to the City of Hurricane collection and treatment system for ultimate treatment and discharge.

KANAWHA VALLEY COLLECTION SYSTEM

To acquire, construct, install, operate, and maintain a wastewater collection system only. The system consists of various sizes and lengths of gravity sewer line, necessary manholes and cleanouts, lift stations, individual grinder pumps, various sizes and lengths of force main, and all other necessary appurtenances. This collection system shall serve customers in the Putnam PSD area along Route 35 from south of Hamrick Ranch to the Teays Pointe Industrial Park and will convey wastewater to the City of Nitro wastewater collection and treatment system for ultimate treatment and discharge. With additional valving this collection system can also convey wastewater from the Shawnee Estates area of Putnam PSD that presently flows primarily to the PSD's Hometown WWTP.

Also, to acquire, construct, install, operate, and maintain a sewer collection line extension that will serve approximately 70 residential and 22 commercial customers in the Vintroux Hollow area of the Putnam PSD. The collection line extension upon its completion will become a part of the Kanawha Valley wastewater collection system and convey the wastewater to the City of Nitro wastewater collection and treatment system for ultimate treatment and discharge.

**This permit is subject to the following terms and conditions :**
The information submitted on and with Permit Application Nos. WV0028045 (formerly North Putnam PSD) dated November 30, 2006, WV0084051 (formerly South Putnam PSD) dated October 6, 2006, and WV0083101 (formerly Shawnee Estates - South Putnam PSD) dated August 29, 2006, and additional information submitted on March 8, 2007 concerning the Vintroux line extension, additional information submitted on April 5, 2007 concerning the Red House line extension are all hereby made terms and conditions of this Permit with like effect as if all such Permit Application information was set forth herein, and with other terms and conditions set forth in Sections A, B, C, D, E, and Appendix A.

The Hometown WWTP upgrade shall be constructed in accordance with the plans and specifications approved by the WV Bureau of Public Health through the issuance of Permit Nos. 15,811 dated October 10, 2003; 16,343 issued December 10, 2004; and 16,877 issued January 4, 2006 as well as the WVDEP approval by Modification No. 2 of WV/NPDES Permit WV0028045 dated June 18, 2004.

The Vintroux Hollow sewer line extension shall be constructed in accordance with the plans and specifications awaiting final approval by the Construction Assistance section of the WVDEP on or before June 8, 2007 and as described below:

Putnam Public Service District
Vintroux Road / Route 35
Wastewater Collection System Extension

Water System Replacement
Putnam County, West Virginia

February 2007

Qk4
802 B Street, Suite 200
St. Albans, West Virginia 25177

**The validity of this permit is contingent upon the payment of the applicable annual permit fee, as required by Chapter 22, Article 11, Section 10 of the Code of West Virginia.**