RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture)

BOND TRANSCRIPT

Closing Date: March 17, 2011

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RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 2011 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

BOND RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE WATER PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $600,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2011 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR 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 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. Red Sulphur Public Service District (the "Issuer") is a public service district, a public corporation and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by the County Commission of Monroe County.

B. The Issuer currently owns and operates a public combined waterworks and 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, constructed, and maintained certain improvements and extensions to the waterworks portion of the existing combined waterworks and sewerage facilities consisting of construction of water system extensions to the Wikel and Greenville areas, including 8 inch, 6 inch and two inch water main, 138,000 gallon water storage tank, booster station, two pressure reducing stations and construction of upgrades to the existing facilities including but not limited to the Route 219 booster station, radio telemetry system and GIS system at Peterstown, West Virginia, together with all appurtenant facilities within the boundaries of the Issuer to be owned and operated by the Issuer (the "Project"), (the existing public combined waterworks and sewerage facilities of the Issuer, the Project and any further extensions or improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the United States Department of Agriculture (the "Purchaser") pursuant to the Act.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest on the Bonds and the Prior Bonds (as hereinafter defined) and payments into all funds and accounts and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds in the total aggregate principal amount of not more than $600,000 in one series, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture), (the "Series 2011 A Bonds" or the "Series 2011 Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The estimated maximum cost of the acquisition and construction of the Project is $4,407,500. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. 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 2011 Bonds; 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 2011 Bonds as to liens, pledge, source of and security for payment, being the (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated November 6, 2006, issued in the original aggregate principal amount of $1,026,000 (the "Series 2006 A Bonds"); (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated November 6, 2006, issued in the original aggregate principal amount of $473,000 (the "Series 2006 B Bonds"); (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $4,150,000 (the "Series 2005 A Bonds"); (iv) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000 (the "Series 2003 A Bonds"); (v) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500 (the "Series 2002 A Bonds"); (vi) Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500 (the "Series 1999 Bonds"); (vii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of

Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000 (the "Series 1992 Bonds"); (viii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647 (the "Series 1987 A Bonds") (collectively, the Series 2006 A Bonds, the Series 2006 B Bonds, the Series 2005 A Bonds, the Series 2003 A Bonds, the Series 2002 A Bonds, the Series 1999 Bonds, the Series 1992 Bonds and the Series 1987 A Bonds are referred to as the "First Lien Bonds").

There is outstanding an obligation of the Issuer which will rank junior and subordinate to the Series 2011 Bonds as to liens, pledge and source of security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173 (the "Series 1987 B Bonds" or the "Subordinate Bonds"). The First Lien Bonds and the Subordinate Bonds are sometimes hereinafter collectively referred to as the "Prior Bonds."

Other than the Prior Bonds, there are no outstanding bonds or obligations which will rank prior to, on a parity with or junior to the Series 2011 Bonds as to liens, pledge and/or source of and security for payment.

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.

Prior to the issuance of the Series 2011 Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests for the Prior Bonds are met; (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2011 Bonds on a parity with the First Lien Bonds; and (iii) the written consent of the Holders of the Subordinate Bonds to the issuance of the Series 2011 Bonds on a senior and prior basis to the Subordinate Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. It is in the best interest of the Issuer that the Series 2011 Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated April 14, 2009, 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 2011 Bonds, or will have so complied prior to issuance of the Series 2011 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 2011 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 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

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

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

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

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

"Bonds" means, collectively, the Series 2011 A Bonds, and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2011 Bonds for all or a portion of the proceeds of the Series 2011 Bonds from the Purchaser.

"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 Pentree, Inc., Princeton, 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.

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

"Facilities" or "waterworks and 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 therefore, hereafter at any time constructed or acquired.

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

"First Lien Bonds" means, collectively, Series 1987 A Bonds, Series 1992 Bonds, Series 1999 Bonds, Series 2002 Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds.

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

"Governing Body" means the Public Service Board of the Issuer, as it may now or hereafter be constituted.

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

"Grants" means, 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 Red Sulphur Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia, in Monroe 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 April 14, 2009, providing for the purchase of the Series 2011 A Bonds from the Issuer by the Purchaser, and any and all amendments thereto.

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

"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 forgoing, 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 principals and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year a 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 the Prior Bonds and into the Reserve Accounts, the Renewal and Replacement Fund and the other funds and accounts established by Article V hereof have been made to the last monthly payment date prior to the date of such retention.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 5.04 hereof.

"Prior Bonds" means collectively, the First Lien Bonds and the Subordinate Bonds.

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

"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 2011 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 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 exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2011 Bonds and the Prior Bonds.

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

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

"RUS Bonds" means the Series 2006 A Bonds, Series 2003 A Bonds, Series 2002 A Bonds, Series 1999 Bonds and the Series 1992 Bonds.

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

"Series 1987 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647.

"Series 1987 B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173.

"Series 1992 Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000.

"Series 1999 Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500.

"Series 2002 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500.

"Series 2003 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000.

"Series 2005 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $2,687,190.

"Series 2006 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated November 6, 2006, issued in the original aggregate principal amount of $1,026,000.

"Series 2006 B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated November 6, 2006, issued in the original aggregate principal amount of $473,000.

"Series 2011 Bonds" or "Series 2011 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2011 Bonds Project Construction Account" means the Series 2011 Bonds Construction Trust Fund established by Section 4.01 hereof.

"Series 2011 A Bonds Reserve Account" means the Series 2011 A Bonds Reserve Account established by Section 4.02 hereof.

"Series 2011 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 2011 A Bonds in the then current or any succeeding year.

"State" means the State of West Virginia.

"Subordinate Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173.

"System" means the complete existing waterworks and sewerage system of the Issuer and all waterworks and 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 waterworks and sewerage system; and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks and 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; and any requirement for execution or attestation of the bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $4,407,500, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Purchaser.

The estimated maximum cost of the acquisition and construction of the Project is $4,407,500 of which $600,000 will be obtained from the proceeds of sale of the Series 2011 A Bonds herein authorized; $1,400,000 will be obtained from a grant from the Purchaser; $894,500 will be obtained from a West Virginia Infrastructure and Jobs Development Council grant; $1,500,000 will be obtained from a Small Cities Block Grant; and $13,000 will be obtained as a contribution from the Issuer.

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 2011 A Bonds of the Issuer, to be known as "Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture)", are hereby authorized to be issued in the aggregate principal amount of $600,000, for the purpose of financing the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2011 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2011 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 3.375% 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 Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $2,340, 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.

The Series 2011 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 2011 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 2011 Bonds, and the right to principal of and stated interest on the Series 2011 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 2011 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 2011 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 2011 Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2011 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 2011 Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2011 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 2011 Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2011 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 2011 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 2011 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 2011 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 2011 Bonds shall cease to be such officer of the Issuer before the Series 2011 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 2011 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 2011 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 2011 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2011 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; Lien Position with Respect to Prior Bonds. The payment of the debt service of all Series 2011 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on Net Revenues in favor of the holders of the First Lien Bonds and senior and prior to the Subordinate Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2011 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.08. Form of Bonds. Subject to the provisions hereof, the text of the Series 2011 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:

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(FORM OF SERIES 2011 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE
SYSTEM REVENUE BOND, SERIES 2011 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. AR-1 Date: _____, 2011

FOR VALUE RECEIVED, RED SULPHUR 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 _____ DOLLARS (_____), plus interest on the unpaid principal balance at the rate of _____ % per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this 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 acquisition and construction of improvements and extensions to the existing public waterworks and 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 an indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted on _____, 2011, 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 Farmer and Rural Development Act of 1965. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

(1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 6, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,026,000;

(2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 6, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $473,000;

(3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 11, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,150,000;

(4) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000;

(5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500;

(6) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED MAY 20, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500;

(7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000; AND

(8) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647; (COLLECTIVELY, THE "FIRST LIEN BONDS")

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE 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.

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IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman
(Title of Executive Official)

_____
(P.O. Box No. or Street Address)

_____
(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

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: _____,20____.

_____

In 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 (or continued is previously established by Prior Resolution) with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by Prior Resolution);

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

(3) Series 2011 Bonds Project Construction Account.

B. Establishment of Funds and Accounts with Commission. The following special funds or accounts are created (or continued is 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 from each other:

(1) Series 1987 A Bonds Sinking Fund (established by Prior Resolution);

(2) Series 1987 A Bonds Reserve Account (established by Prior Resolution);

(3) Series 1987 B Bonds Sinking Fund (established by Prior Resolution);

(4) Series 1987 B Bonds Reserve Account (established by Prior Resolution);

(5) Series 2002 A Bonds Reserve Account (established by Prior Resolution);

(6) Series 2003 A Bonds Reserve Account (established by Prior Resolution);

(7) Series 2005 A Bonds Sinking Fund (established by Prior Resolution);

(8) Series 2005 A Bonds Reserve Account (established by Prior Resolution);

(9) Series 2006 A Bonds Reserve Account (established by Prior Resolution);

(10) Series 2006 B Bonds Sinking Fund (established by Prior Resolution);

(11) Series 2006 B Bonds Reserve Account (established by Prior Resolution); and

(12) Series 2011 A Bonds Reserve Account.

Section 4.02 Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2011 Bonds shall be deposited upon receipt by the Issuer in the Series 2011 Bonds Project Construction Account. The monies in the Series 2011 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 2011 Bonds Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2011 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 2011 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 2011 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 2011 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 2011 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 2011 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2011 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2011 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2011 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, on or before the due date thereof, transfer from the Revenue Fund and remit (i) to the National Finance Office the amounts required by the Prior Resolutions to pay the interest on the RUS Bonds and the amounts required to pay interest on the Series 2011 A Bonds; and (ii) on the first day of each month to the Commission, for deposit in the Series 1987 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay interest on the Series 1987 A Bonds.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and (i) on or before the due date thereof, remit to the National Finance Office the amounts required by the Prior Resolutions to pay the principal of the RUS Bonds; (ii) on the first day of each month to the Commission for deposit in the respective sinking funds, the amounts required by the Prior Resolutions to pay the principal of the Series 1987 A Bonds, the Series 2005 A Bonds and the Series 2006 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 2011 A Bonds, the amount required to amortize the principal of the Series 2011 A Bonds over the life of the bond issue.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the Commission the amounts required by the Prior Resolutions to be deposited in the respective Reserve Accounts for the First Lien Bonds; and (ii) beginning on the date specified by the purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission, for deposit in the Series 2011 A Bonds Reserve Account, an amount equal to 10% of the monthly payment amount, until the amount in the Series 2011 A Bonds Reserve Account equals the Series 2011 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2011 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 2011 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. 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 Qualified Investments. 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) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the respective sinking fund, the amounts required by the Prior Resolutions to pay the principal of the Series 1987 B Bonds.

(7) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission the amounts required by the Prior Resolutions to be deposited in the Series 1987 B Bonds Reserve Account.

Whenever the money in the Series 2011 A Bonds Reserve Account shall be sufficient to prepay the Series 2011 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2011 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 2011 A Bonds Reserve Account. All amounts required for the Series 2011 A Bonds Reserve Account 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 2011 Bonds and the interest thereon, on a parity with the First Lien Bonds, and senior and prior to the Subordinate Bonds.

The Series 2011 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 2011 A Bonds and the interest thereon.

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 2011 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 2011 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 2011 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. 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 2011 A Bonds, provide evidence that there will be at least 2,113 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 2011 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2011 A Bonds Reserve Account, sums sufficient to prepay the entire principal of the Series 2011 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 2011 A 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 2011 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 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 2011 A 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. 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. No Parity Bonds shall be issued after issuance of the Series 2011 A Bonds unless the provisions contained in the Prior Resolution respecting issuance of Parity Bonds have been satisfied.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2011 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 Series 2011 A Bonds and 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 RUS Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2011 A Bonds and the RUS Bonds are no longer outstanding, the following parity requirement shall be met:

So long as the Series 1987 A Bonds, Series 1987 B Bonds, Series 2005 A Bonds, and Series 2006 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 2011 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 2011 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 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 2011 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 2011 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 2011 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 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2011 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 2011 A 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 2011 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 2011 A 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 2011 A Bonds.

Section 5.09. Fiscal Year; Budget. While the Series 2011 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 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 2011 A 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 water services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Recommended Decision of the Public Service Commission of West Virginia entered August 2, 2010 which became a Final Order on August 22, 2010 in Case No. 10-0371-PWD-CN and are incorporated herein by reference as a part hereof.

The initial schedule of rates and charges for the sewer services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Recommended Decision of the Public Service Commission of West Virginia entered January 13, 2006 which became a Final Order on February 2, 2006 in Case No. 05-1007-PSD-CN-CN and are incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have 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 2011 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 2011 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 2011 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2011 Bonds, the Issuer may not defease the Series 2011 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 2011 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 2011 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 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 Date. This Resolution shall take effect immediately upon its adoption.

[Remainder of Page Intentionally Blank]

Adopted this 15th day of March, 2011.

RED SULPHUR PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of RED SULPHUR PUBLIC SERVICE DISTRICT on March 15, 2011.

Dated: March 17, 2011.

[SEAL]

Secretary

02.23.11
742910.00006

United States Department of Agriculture
Rural Development
West Virginia State Office

March 15, 2011

John S. Porterfield, Chairman
Red Sulphur Public Service District
P.O. Box 697
Peterstown, WV 24963

RE: Amendment No. 1 to
Letter of Conditions

Dear Mr. Porterfield:

This letter, with Attachment No. 1 amends the letter of conditions dated April 14, 2009 and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered 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 RD loan in the amount of $600,000, an RD grant in the amount of $1,400,000, and other funding in the amount of $2,407,500, for a total project cost of $4,407,500. The other funding is planned in the form of a grant from the West Virginia Infrastructure and Jobs Development Council in the amount of $894,500, a Small Cities Block Grant in the amount of $1,500,000, and an applicant contribution of $13,000.

Subject to the requirements noted herein, all of the conditions of the April 14, 2009 letter of conditions remain in effect and must be satisfied prior to loan and grant 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)

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

The conditions referred to above are as follows:

> Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RD reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the District 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, RD 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,

BOBBY LEWIS
State Director

Enclosures

cc: Stephen Wetherbee, Area Director
ATTN: Teresa Miller, Area Specialist

Imre Pentek, CPA
P.O. Box 1390
Lewisburg, WV 24901

William Winfrey, II, Attorney at Law
P.O. Box 1159
Princeton, WV 24740

Pentree, Inc.
P.O. Box 1309
Princeton, WV 24740

Steptoe and Johnson
Attorneys at Law
P.O. Box 1588
Charleston, WV 25326-1588

James W. Ellars, Executive Director
West Virginia Infrastructure and Jobs Development Council
300 Summers Street, Suite 980
Charleston, WV 25301

Attachment No. 1 to Letter of Conditions
For: Red Sulphur Public Service District
Date: March 15, 2011

Project Construction Budget

PROJECT COST	PSD FUNDS	SCBG GRANT	WVIJDC GRANT	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION		$ 1,007,000	$ 849,800	$ 1,149,255	$ 411,300	$ 3,417,355
CONST. ELECTRIAL					$ 15,000	$ 15,000
CONST. CONTG.			$ 44,700	$ 126,900		$ 171,600
LEGAL FEES	$ 7,120				$ 15,880	$ 23,000
BOND COUNSEL					$ 15,000	$ 15,000
ACCOUNTING	$ 5,880				$ 4,120	$ 10,000
ENGINEERING FEES		$ 400,000		$ 74,000	$ 52,000	$ 526,000
Basic - $ 260,000						
Insp. - $ 206,000						
Special - : 60,000						
INTEREST						
ADMINISTRATION		$ 70,000			$ 40,500	$ 40,500
LMI ASSESSMENT		$ 13,000				$ 70,000
PERMITS		$ 5,000				$ 13,000
PROJECT CONTG.					$ 31,200	$ 36,200
LAND & RIGHTS		$ 5,000		$ 49,845		$ 49,845
					$ 15,000	$ 20,000
TOTAL	**$ 13,000**	**$ 1,500,000**	**$ 894,500**	**$ 1,400,000**	**$ 600,000**	**$ 4,407,500**

Bond Counsel

United States Department of Agriculture
Rural Development
West Virginia State Office

April 14, 2009

Dennis Sibold, Chairman
Red Sulphur Public Service District
P.O. Box 697
Peterstown, WV 24963

Dear Mr. Sibold:

This letter, with Attachments 1 through 9 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant 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 $600,000, an RUS grant in the amount of $1,400,000, and other funding in the amount of $2,200,000, for a total project cost of $4,200,000. The other funding is planned in the form of grants from the HUD Small Cities Block Grant Program and the West Virginia Infrastructure and Jobs Development Council.

The loan and grant 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. All parties may access our web-site located at www.usda.gov/rus/water/ for the following:

a. RUS Instruction 1780
b. RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance"
c. RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"

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

d. RUS Bulletin 1780-31, "Water Programs Compliance Supplement For OMB Circular A-133 Audits"

Government Auditing Standards (Revision 2007) (Accountant Copy) may be accessed at www.gao.gov/govaud/ybk01.htm.

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
Attachment No. 3 – Water Users Agreement
Attachment No. 4 – Declination Statement (Applicant and Attorney Copies)
Attachment No. 5 – Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way" (Attorney Copy)
Attachment No. 6 – Sample Credit Agreement (Applicant Copy)
Attachment No. 7 – Form RD 1927-9, "Preliminary Title Opinion" (Attorney Copy)
Attachment No. 8 – Form RD 1927-10, "Final Title Opinion" (Attorney Copy)
Attachment No. 9 – Various other RD forms as identified on Attachment No. 2

The conditions referred to above are as follows:

1. **American Recovery and Reinvestment Act of 2009 ("Recovery Act").**

Recovery Act requirements apply to this financing. In addition to the other conditions contained in this Letter of Conditions, you must understand and agree to these following conditions specific to the Recovery Act:

(a). Certifications. With respect to Recovery Act funds made available to State or local governments for infrastructure investments, Section 1511 of the Recovery Act requires the Governor, mayor or other chief executive, as appropriate, to certify that the infrastructure investment has been properly approved as required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. RD Water and Waste personnel will provide specific guidance on the information required in the certification.

(b). Reports on Use of Funds. Section 1512 of the Recovery Act requires each recipient receiving Recovery Act funding to provide specific information to the government on a periodic basis for inclusion in various internal and publicly-available reports. RD Water and Waste Program personnel will provide specific guidance on the type and frequency of information required to assist Recovery Act recipients in complying with this condition.

(c). Buy American. Section 1605 of the Recovery Act requires that all projects financed with Recovery Act funds be bid and constructed using only iron, steel and manufactured goods produced in the United States in accordance with Section 1605 of the Recovery Act. Specific guidance, including contract provisions to be included in any construction contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

(d). Wage Rate Requirements. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur. Specific guidance, including contract provisions to be included in any construction or otherwise related contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

Compliance with the conditions in this section is required for financing under the Recovery Act. However, these conditions are not substitutes for, or in lieu of, the remaining conditions contained in this Letter of Conditions. Each of the conditions in this Letter of Conditions must also be understood and complied with to receive financing for your project.

2. **Fund Usage** – Funds obligated under the terms of this letter of conditions are committed on the basis that your project will proceed to the construction stage in an expedient manner. In accordance with RUS Staff Instruction 1782-1, Section 1782.20(u)(5), any funds not disbursed within 60 months from the date of obligation will be de-obligated and returned to the Department of Treasury for further disposition to other RUS project applicants. In the event that USDA determines that your project has not progressed within the five (5) year timeline and that funds will be recaptured, you will be given appeal rights and due process to document reasons why you believe the decision to de-obligate your project funds is not justified.

3. **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 3.75% interest rate and a monthly amortization factor of .00412, which provides for a monthly payment of $2,472. 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 or time.

4. **Security** – The loan must be secured by a statutory lien of shared first 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 1780-12 and RUS Bulletin 1780-27 which are mentioned later.

5. **Users** – This conditional commitment is based upon you providing evidence that you will have at least 2,113 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 126 signed user agreements and a signed certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing water 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 enclosed Water Users Agreement will be used. Each user signing an agreement must make a user contribution of $100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user agreement or a declination statement, the individual making the contact for the PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

   Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service. Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the water service of the existing system (paying monthly bills), (2) signed user agreements, (3) signed service declination statements, (4) records

evidencing user contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

6. **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.

7. **Engineering Services** – It will be necessary for you to obtain the services of an engineer. EJCDC No. 510-FA, "Standard Form of Agreement between Owner and Engineer for Professional Services" (2002 Funding Agency Edition) should be used to obtain the services of an engineer. The EJCDC document is issued under copyright and cannot be provided by RUS.

8. **Legal Services** – It will be necessary for you to obtain the services of a local attorney. For your convenience "RUS Legal Services Agreement" is enclosed for your use.

9. **Accounting Services** – It will be necessary for you to obtain the services of a qualified accountant. 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/grant closing, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

    The Accountant's Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

    RUS regulations noted above outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your PSD. "Government Auditing Standards (Revised 2007)", which may be accessed at www.gao.gov/govaud/ybk01.htm, and RUS Bulletins 1780-30 and 1780-31, which may be accessed at our agency website listed above, 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.

10. **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.

11. **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

12. **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.

13. **Insurance and Bonding** - Prior to loan closing or start of construction, whichever occurs first, you must acquire the types of insurance and bond coverage shown below. The use of deductibles may be allowed providing you have the financial resources to cover potential claims requiring payment of the deductible. RD strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of RD to assure that adequate insurance and fidelity or employee

dishonesty bond coverage is maintained.

a. General Liability Insurance – This should include vehicular coverage.

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 an amount equal to at least the amount of 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.

14. **Environmental Requirements** –

Project Modifications – The project as proposed has been evaluated to be consistent with all applicable environmental requirements. If the project or any project element deviates from or is modified from the original approved project, additional environmental review may be required.

15. **Vulnerability Assessments (VA) and Emergency Response Plans (ERP)** –

Congress enacted the Public Health Security and Bioterrorism Preparedness Response Act of 2002, Public Law 107-188 (Bioterrorism Act). The Bioterrorism Act amended the Safe Drinking Water (SDWA) to require all medium and large sized community water systems (serving populations greater than 3,300) to assess vulnerability to terrorist attack and develop emergency plans for response to such an attack. Medium and large community water systems are being monitored by the U.S. EPA for completion of VA's and ERP's.

Rural Development requires all financed water and wastewater systems to have a vulnerability assessment (VA) and an emergency response plan (ERP) in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operations. A certification that a VA is complete must be submitted within one year of the start of operations. All other borrowers must provide a certification that a VA and ERP are complete prior to bid authorization.

You will also be required to provide a certification that the VA and ERP is complete and is current every three years after the start of operations. RD does not need or want a copy of the VA or ERP. The requested certification will be sufficient to meet our needs. Technical assistance providers are available to provide you with on site assistance if desired.

16. **Civil Rights & Equal Opportunity** – You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

Section 504 of the Rehabilitation Act of 1973 – Under section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RD financial assistance.

Civil Rights Act of 1964 – All borrowers are subject to, and facilities must be operated in accordance with, title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and subpart E of part 1901 of this title, particularly as it relates to

conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this title.

The Americans with Disabilities Act (ADA) of 1990 – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by State and local public entities which provides services, programs and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities which accommodate the public.

Age Discrimination Act of 1975 – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

RD financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

17. **Contract Documents, Final Plans and Specifications** –

a. The contract documents should consist of the following:

(1) EJCDC Document No. C-521, 2002 Edition, "Suggested 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.

(2) "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 (September 10, 2003 Version)," is available for use by your engineer in the preparation of the contract documents at www.usda.gov/rus/water.

b. The contract documents must provide, as a minimum, the following insurance:

(1) Liability Insurance – Personal Liability - $500,000; Property Damage - $200,000 - $200,000. This coverage must include

indemnification of the PSD and its engineer. EJCDC Document C-710, "Standard General Conditions of the Construction Contract" (Funding Agency Edition) and Exhibit G to RUS Bulletin 1780-26, "Supplementary Conditions" both suggest certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.

(2) Builder's Risk Insurance – On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.

(3) 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.

18. **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. 6).

19. **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. Funds will be disbursed by electronic transfer of funds.

Any RD grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account except as follows:

a. Federal grant awards (includes all federal funding sources) are less than $120,000 per year.

b. The best available interest bearing account would not be expected to earn in excess of the following:

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.

c. The depository would require a minimum balance so high that it would not be feasible.

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 $250,000 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.

20. **Other Project Funds** – Prior to advertisement for construction bids, you must provide evidence showing the approval of any other project funds. This evidence should include a copy of the funding award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the other project funds are available for expenditure. This evidence should consist of at least a letter from the funding agency stating the funds are available for expenditure.

21. 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 1780-12 – "Water or Waste System Grant Agreement"
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 AD 1049 – "Certification Regarding Drug-Free Workplace"
Form RD 1910-11 – "Applicant Certification, Federal Collection Policies"
RD 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"

22. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA – Rural Development State Office with a request for loan closing instructions to be issued.

23. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. 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 grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds 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,

Susan L Neuroni 4/14/09

for DIANNE GOFF CRYSLER
Acting State Director

Enclosures

cc: Teresa Miller, Area Specialist
Beckley, WV

Pentree, Inc.
P.O. Box 1309
Princeton, WV 24740

William Winfrey, Esquire
P.O. Box 1159
Princeton, WV 24740

John Stump, Esquire
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

Jeffrey S. Feamster, CPA
P.O. Box 982
Lewisburg, WV 24901

Region I Planning and Development Council
1439 Main Street, Suite 5
Princeton, WV 24740

Attachment No. 1 to Letter of Conditions
For: Red Sulphur PSD
Date: April 14, 2009

Project Construction Budget

PROJECT COST	SCBG	WVIJDC GRANT	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION	$ 1,139,600	$ 531,700	$ 1,063,400	$ 421,600	$ 3,156,300
CONST. CONTINGENCY		$ 66,600	$ 133,100	$ 52,800	$ 252,500
LAND & RIGHTS	$ 20,000				$ 20,000
LEGAL FEES		$ 8,300	$ 16,600	$ 6,600	$ 31,500
BOND COUNSEL		$ 4,000	$ 7,900	$ 3,100	$ 15,000
ACCOUNTING		$ 2,600	$ 5,400	$ 2,000	$ 10,000
ENGINEERING FEES Basic - $260,000 Insp. - $206,000 Special - $38,000	$ 234,900	$ 70,900	$ 141,900	$ 56,300	$ 504,000
INTEREST				$ 45,000	$ 45,000
ADMINISTRATION	$ 70,000				$ 70,000
PERMITS	$ 20,000				$ 20,000
EQUIPMENT		$ 6,900	$ 13,700	$ 5,400	$ 26,000
PROJECT CONTG.	$ 15,500	$ 9,000	$ 18,000	$ 7,200	$ 49,700
TOTAL	**$ 1,500,000**	**$ 700,000**	**$ 1,400,000**	**$ 600,000**	**$ 4,200,000**

Rates

Available for general domestic, commercial, and industrial service.

First	3,000	gallons @	$ 9.44	per M gallons
Next	4,000	gallons @	$ 8.78	per M gallons
Next	95,000	gallons @	$ 7.96	per M gallons
Over	102,000	gallons @	$ 7.28	per M gallons

Minimum Charge

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

5/8" x 3/4"	meter	$	28.32	per month
3/4"	meter	$	42.48	per month
1"	meter	$	70.80	per month
1 1/2"	meter	$	141.60	per month
2"	meter	$	226.56	per month
3"	meter	$	424.80	per month
4"	meter	$	708.00	per month
6"	meter	$	1,416.00	per month
8"	meter	$	2,265.60	per month

Minimum Monthly Bill $ 28.32 for 3,000 gallons

Attachment No. 1 to Letter of Conditions
For: Red Sulphur PSD
Date: April 14, 2009

RED SULPHUR PUBLIC SERVICE DISTRICT
USE AND INCOME ANALYSIS
EXISTING SYSTEM

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 3,000	Next 4,000	Next 95,000	Over 102,000	TOTAL REVENUE
0 - 3,000	1,038	344.45	1,038					
3,001 - 7,000	793	3,513.72		2,381.25	1,132.47			
7,001 - 102,000	154	1,552.98		463.25	617.66	472.07		
Over 102,000	2	330.24		5.25	7.00	166.25	151.74	
Monthly Total	1,987.00	5,741.39	1,038.00	2,849.75	1,757.13	638.32	151.74	
Proposed Rates			$ 28.32	$ 9.44	$ 8.78	$ 7.96	$ 7.28	
Monthly Revenues			$ 29,396.16	$ 26,901.64	$ 15,427.60	$ 5,081.03	$ 1,104.67	**$ 77,911.10**
Annual Revenues			$ 352,753.92	$ 322,819.68	$ 185,131.22	$ 60,972.33	$ 13,256.01	**$ 934,933.15**

RED SULPHUR PUBLIC SERVICE DISTRICT
USE AND INCOME ANALYSIS
"IDENTIFIED EXTENSION AREAS"

Blocking	Cust.	Gal/ Mo.	Minimum Bills	FIRST 3,000	NEXT 4,000	NEXT 95,000	OVER 102,000	TOTAL REVENUE
0 - 3,000	66	21.83	65.75					
3,001 - 7,000	50	222.71		150.93	71.78			
7,001 - 102,000	10	98.43		29.36	39.15	29.92		
Over 102,000								
Monthly Total	126	342.97	65.75	180.29	110.93	29.92		
Proposed Rates			$ 28.32	$ 9.44	$ 8.78	$ 7.96	$ 7.28	
Monthly Revenues			$ 1,862.04	$ 1,701.94	$ 973.97	$ 238.16		**$ 4,776.11**
Annual Revenues			$ 22,344.48	$ 20,423.25	$ 11,687.58	$ 2,857.96		**$ 57,313.27**

Delayed Payment Penalty

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

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

Connection Charge

Prior to Construction - $100.00

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

Reconnection Charge

$25.00

Bad Checks - Returned Checks

If a check received is returned by the bank for any reason, the bank's charge to Red Sulphur Public Service District shall be the District's charge to the customer for a bad check, but such charge to customers shall not exceed $25.00.

Leak Adjustment

$1.39 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Red Sulphur PSD
OPERATING BUDGET

OPERATING INCOME		
Metered Sales	$992,246	
Penalties	$ 20,699	
Other Income	$ 4,664	
TOTAL OPERATING INCOME		$ 1,017,609
NON OPERATING INCOME		
Interest income	$ 13,910	
TOTAL NON OPERATING INCOME		$ 13,910
TOTAL INCOME		$ 1,031,519
EXPENSES		
O & M	$531,301	
Taxes	$ 26,295	
Plant Additions	$ 50,881	
TOTAL EXPENSES		$ 608,477
INCOME AVAILABLE FOR D/S (A)		$ 423,042
DEBT SERVICE		
Existing Bond P & I (B)	$308,616	
Proposed Bond P & I (B)	$ 29,664	
TOTAL DEBT SERVICE		$ 338,280
DEBT SERVICE RESERVE		
Debt Service Reserve*	$ 22,165	
Depreciation Reserve	$ 25,440	
TOTAL DEBT SERVICE RESERVE		$ 47,605
SURPLUS (DEFICIT)		$ 37,157
DEBT COVERAGE (A/B)		$ 1.25

*Debt service reserve based on the following RUS loans:
1. Existing loan of $1,979,000 for 38 years @ 5.00% - Reserve fully funded.
2. Existing loan of $156,500 for 38 years @ 4.50% = $862 annual reserve.
3. Existing loan of $1,538,500 for 38 years @ 4.75% = $8,769 annual reserve.
4. Existing loan of $1,800,000 for 38 years @ 4.25% = $9,568 annual reserve.
5. Proposed loan of $600,000 for 38 years @ 3.75% = $2,966 annual reserve.

Attachment No. 2 to Letter of Conditions
For: Red Sulphur PSD
Date: April 14, 2009

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. E-510-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
RUS Legal Services Agreement	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		HAVE	5
	Site Visit		S.I. 1780-2	RUS		HAVE	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

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		HAVE	3
	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
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant		HAVE	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant		HAVE	5
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant		HAVE	2
CPAP Form	Project Information	2	1780.41(a)	RUS		HAVE	1
CPAP Form	Underwriting Information	2	1780.33(h)	RUS		HAVE	3
RD 1940-1	Request for Obligation of Funds	2	1780.41(a)	RUS/ Applicant		HAVE	2

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	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 Collect-ion Policies	1	1780.33(h)	Applicant		HAVE	3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant		HAVE	5
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		HAVE	5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant		HAVE	5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Exception for Metering Devices	1	1780.57(m)	Applicant/ RUS			5
	Evidence of Users:						
1.	Map of Users with each identified by number	1	LOC	Applicant			Separate File
2.	List of Signed Users Numbered to Map	1	LOC	Applicant			5
3.	List of Declination Statements Numbered to Map	1	LOC	Applicant			5
4.	Evidence of Tap Fees Being Paid	1	LOC	Applicant			5
5.	Having Users Agreements and Declination Statements Available		LOC	Applicant			
6.	Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
	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

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	Applicant/ RUS			1
	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

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
	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
	Operation and Maintenance Agreement	1	1780.39 (b)(4)	Applicant			5
	Evidence of "Other Funds"	1	1780.44(f)	Applicant			2
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant			5
RD 442-10	Appraisal Report	1	1780.44(g)	RUS			8
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			6
(Existing borrowers)	Certifications on VA and ERP	1		Applicant		HAVE	5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	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 Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5
	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

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

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(304) 353-8196 – Telephone
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John.stump@steptoe-johnson.com

March 9, 2011

Via Hand Delivery

04:15 PM MAR 09 11 PSC EXEC SEC DIV

Sandra Squire, *Executive Secretary*
Public Service Commission of West Virginia
201 Brooks Street
Charleston, West Virginia 25323

Case No.: 10-0371-PWD-CN
RED SULPHUR PUBLIC SERVICE DISTRICT

Dear Ms. Squire:

Enclosed herein for filing on behalf of the Red Sulphur Public Service District, please find an affidavit by the District's certified public accountant.

Please file the enclosed affidavit and distribute the additional copies to the appropriate parties at the Commission. Additionally, I ask that you date stamp the file copy provided and return it with our messenger. Thank you in advance for your attention to this matter, and should you have any questions please contact me at (304) 353-8196.

Sincerely,

John C. Stump
(W. V. State Bar No. 6385)

Enclosures

742910.00006

P.O. Box 1390 Lewisburg, WV 24901 (304) 647-3949
Fax: (304) 647-3498 E-Mail: ipentek@wildblue.net

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

Case No.: 10-0371-PWD-CN

04:15 PM MAR 09 11 PSC EXEC SEC DIV

RED SULPHUR PUBLIC SERVICE DISTRICT

Application for a certificate of convenience and necessity to construct a water system extension to the Wikel and Greenville areas and to construct upgrades to the District's existing water system facilities including, but not limited to, the Route 219 water booster station, radio telemetry system and GIS system at Peterstown.

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

AFFIDAVIT

I, Imre Pentek, CPA, after making an oath of affirmation to tell the truth, say that, I have reviewed the Recommended Decision of the Public Service Commission of West Virginia in Case No. 10-0371-PWD-CN dated August 2, 2010 approving funding consisting of: (i) a $600,000 loan for 40 years at 3.375% interest from USDA RUS, (ii) a $1,400,000 grant from USDA RUS, (iii) a $1,500,000 SCBG, and (iv) a WVIJDC grant in the amount of $700,000 and based upon all the information that has been provided to me, to date, I am of the opinion that the rates and charges (a) are not affected by the revised funding consisting of (i) a $600,000 loan for 40 years from USDA RUS, (ii) a $1,400,000 grant from USDA RUS, (iii) a $1,500,000 SCBG, (iv) a WVIJDC grant in the amount of $894,500, and (v) a contribution from the District in the amount of $13,000; and (b) will be sufficient to provide revenues which, together with other revenues of the System, will allow me to provide the CPA certification required for the issuance of the Bonds.

This Affidavit is executed on the 11th day of February, 2011

Imre Pentek, CPA

Taken, subscribed and sworn to before me this 11th day of February, 2011.

My commission expires March 4, 2018

OFFICIAL SEAL
STATE OF WEST VIRGINIA
NOTARY PUBLIC
Dana S. Cecil
PO Box 1213
Lewisburg, WV 24901
My Commission Expires March 4, 2018

Notary Public

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL

8/22/2010

Entered: August 2, 2010

CASE NO. 10-0371-PWD-CN

RED SULPHUR PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to construct a water system extension to the Wikel and Greenville areas, etc., and to construct upgrades to the District's existing water system facilities including, but not limited to, the Route 219 water booster station, radio telemetry system, and GIS system at Peterstown.

RECOMMENDED DECISION

On March 19, 2010, the Red Sulphur Public Service District (District) filed an application for a certificate of convenience and necessity to construct a water system improvement at Peterstown, Monroe County, known as the Greenville-Wikel Water Project. The estimated cost of the project is $4,200,000 and is to be financed with a loan in the amount of $600,000 from the USDA, a grant in the amount of $1,400,000 from the USDA, a Small City Block Grant (SCBG) in the amount of $1,500,000 and a West Virginia Infrastructure and Jobs Development Council (WVIJDC) grant in the amount of $700,000. The District proposed a rate increase.

By Commission Order dated March 19, 2010, the District was required to publish a copy of the Order once in a qualified newspaper, as provided in W. Va. Code §59-3-1, et seq., published and of general circulation in Monroe County, making due return to the Commission of proper certification of publication immediately after publication.

By Referral Order dated March 31, 2010, the proceeding was referred to the Division of Administrative Law Judges with a decision due date of on or before August 2, 2010, if there has been no substantial protest to the application within thirty (30) days after the required notice has been provided. If substantial protest is received within thirty (30) days after the required notice has been provided, the decision due date for the Division of Administrative Law Judges is on or before August 31, 2010.

On April 14, 2010, Staff filed a motion requesting expedited ruling on the Staff recommendation of dismissal.

Also on April 14, 2010, Staff Attorney Lisa L. Wansley filed the Initial and Final Joint Staff Memorandum to which was attached the April 12, 2010 Utilities and Engineering Divisions Initial and Final Recommendation prepared by Karen L. Buckley, Utility Analyst II, Utilities Division, and Jim Spurlock, Technical Analyst, Engineering

Division. Staff noted the various inadequacies of the District's filing and recommended that the case be dismissed without prejudice.

On April 22, 2010, the District filed by facsimile transmission a partial copy of the letter of conditions from the USDA. The District indicated that the entire document would be submitted by mail. The District also filed by facsimile transmission a letter of commitment from the WVIJDC and a letter of commitment from Governor Manchin regarding the Small Cities Block Grant. The District's Rule 42 filing for the fiscal year ending June 30, 2009, was to have been sent to Ms. Buckley and Mr. Spurlock by email.

By Procedural Order dated April 26, 2010, Staff was required to indicate within five (5) days of the date of the Order whether the District had provided sufficient information which would permit Staff to timely file a final recommendation under the proceeding's present time constraints. The District was also required to file a proper certification of publication within ten (10) days of the date of the Order.

On April 29, 2010, the District filed the Certificate of Publication from The Monroe Watchmen which indicated that the Notice of Filing had been published on April 8, 2010.

On May 3, 2010, Staff Attorney Wansley filed the Further Joint Staff Memorandum to which was attached the May 3, 2010 Utilities and Engineering Divisions Further Initial Recommendation prepared by Ms. Buckley and Mr. Spurlock. Staff recommended that its motion which requested expedited ruling on the Staff recommendation of dismissal be withdrawn. Staff recommended that the District be required to file copies of any bond ordinances and detailed supporting calculations for changes in operation and maintenance expenses within ten (10) days. Staff recommended that the District be required to file the Greenville Agreement as soon as possible.

By Procedural Order dated May 7, 2010, the District was required to file copies of any bond ordinances, detailed calculations which support changes in operations and maintenance expenses and the Greenville Agreement within ten (10) days of the date of the Order.

By Procedural Order dated May 14, 2010, Staff was required to file its final recommendations in this matter on or before June 16, 2010.

On May 17, 2010, the District filed a draft agreement between the District and Greenville Water Company, Inc. (Greenville), proposed bond resolutions for the new financing and prior bond resolutions for each of the District's outstanding bond issues.

On May 18, 2010, the District filed detailed calculations supporting changes in operation and maintenance expenses.

On June 15, 2010, the District filed a letter from the West Virginia Water Development Authority (WVWDA) regarding a Grant Anticipation Note (GAN).

On June 16, 2010, Staff Attorney Wansley filed the Final Joint Staff Memorandum to which was attached the June 15, 2010 Utilities and Engineering Divisions Further Final Recommendation prepared by Ms. Buckley and Mr. Spurlock. The District's project will extend water service to 126 new customers in the Wikel and Greenville areas. The Greenville residents are currently served by a small water utility, the Greenville Community Water System, which is operated by individuals in the community on a part-time basis. The Greenville system is unmetered and has 2-inch and smaller aging lines; a well with chlorination; and a wooden water storage tank. The Wikel area residents are currently served by inadequate wells and cisterns which contain high levels of iron and manganese. The District's system has adequate treatment and distribution capacity to handle the proposed extension. The filing included user agreements for the new customers.

Construction will consist of 17,500 feet of 8-inch water lines; 63,300 feet of 6-inch water lines; 2,200 feet of 2-inch water lines; 157 meters; a pumping station; an upgrade to the Route 219 booster station; and an upgrade to the radio telemetry system. The estimated project cost is $4,200,000 which results in a per customer cost of $26,752. Although the per customer cost is somewhat high, the proposed funding includes a $600,000 loan and the remainder in grants. Engineering fees are $504,000, or 16.0% of the $3,156,300 construction cost. The District's O&M expenses are expected to increase by $23,816 annually which Staff opined was reasonable. The State Office of Environmental Health Services has issued Permit No. 18,526 for the project. Staff's review of the project's plans and specifications did not reveal any conflicts with the Commission's rules and regulations.

The District's estimated cost of the project is $4,200,000 and will be financed through a Rural Utility Service (RUS) loan in the amount of $600,000; a RUS grant in the amount of $1,400,000; a WVIJDC grant in the amount of $700,000; and a SCBG in the amount of $1,500,000. The RUS loan is for 40 years at 3.75% and requires annual interest and principal payments of $29,664. RUS also requires a 10% debt reserve of $2,966 and a depreciation/renewal and replacement reserve equal to 2.5% of operating revenues. Staff noted that $200,000 of the SCBG was approved by a Commission Order on August 14, 2008, for engineering design. Staff also noted that the WVWDA would provide a GAN to the District in the amount of $1,070,000 to cover the SCBG funding until it can be allocated in the fiscal year 2010. The funding commitment from all sources has been submitted. The District also filed an agreement with Greenville. The District will acquire the franchise, but not the physical assets of Greenville.

The District contends that it is capable, through its planned water distribution system, to serve the Greenville customers at its current tariff rates. In order to fund the project-related expenses, the District proposed to increase rates by 13.1% for its existing customers. Although the Notice of Filing indicated that the minimum bill was to increase to $29.10, the District's Rule 42 Exhibit was based on a minimum bill of $28.05. The District also proposed to increase the Greenville residential customers' minimum bill by 112%, or from $13.26 per month to $28.05 per month. The District also proposed to increase the minimum bill of Greenville commercial customers from $20.92 to $28.05. The District indicated in its Rule 42 exhibit that the District's capital

expenditures paid from operating funds have averaged $62,924 over the last four (4) years.

Staff reduced the level of rate increase from the District's proposed 13.2% to 9.5% which will make the pro forma cash surplus $63,435 and debt service coverage 128.53%. Under Staff-recommended rates, the minimum bill for existing District customers will increase from $24.78 to $27.12. Under Staff-recommended rates, the minimum bill for Greenville residential customers will increase from $13.26 to $27.12, or by 105%. Under Staff-recommended rates, the minimum bill for Greenville commercial customers will increase from $20.92 to $27.12, or by 30%. Staff recommended that its recommended rates become effective upon completion of the project. The additional operating revenues will be sufficient to cover the project-related expenses and debt service. The project is financially feasible and should be approved. Staff also recalculated the District's leak adjustment rate to be $0.63 per M gallons.

In summation, Staff recommended, pursuant to West Virginia Code §§24-2-11 and 16-13A-25, the District's application for a certificate of convenience and necessity to construct water system extensions to the Wikel and Greenville areas and construct upgrades to the District's existing water system facilities, including, but not limited to, the Route 219 water booster station, radio telemetry system and GIS system in Peterstown in the amount of $4,200,000, be approved. Staff also recommended approval of project financing which includes a $600,000 40-year RUS loan at 3.75% interest; a RUS grant in the amount of $1,400,000; a WVIJDC grant in the amount of $700,000; and a SCBG grant in the amount of $1,500,000. Staff further recommended approval of the agreement between the District and the Greenville Water Company, Inc.

On July 6, 2010, the District filed a copy of a water bill mailed to the District's customers on July 1, 2010, which showed a message regarding the District's intention to seek a rate increase.

As of the date of this Order, no protests have been filed in this proceeding. Additionally, the District has not objected to Staff's final recommendations.

FINDINGS OF FACT

1. On March 19, 2010, the Red Sulphur Public Service District filed an application with the Commission for a certificate of public convenience and necessity to construct a water system improvement at Peterstown, Monroe County, known as the Greenville-Wikel Water Project. The project will extend water service to 126 new customers at an estimated cost of $4,200,000 and is to be financed with a loan in the amount of $600,000 from RUS; a grant in the amount of $1,400,000 from RUS; a SCBG in the amount of $1,500,000; and a WVIJDC grant in the amount of $700,000. The District proposed a rate increase. (See, filing dated March 19, 2010; Final Joint Staff Memorandum with attachment filed June 16, 2010).

2. The District submitted the certificate of publication reflecting that the Notice of Filing had been published on April 8, 2010, in The Monroe Watchmen, a qualified newspaper which is generally circulated in Monroe County. (See, filing dated April 29, 2010).

3. The separate mailing requirement was completed with the July 1, 2010 billing. (See, filing dated July 6, 2010).

4. As of the date of this Order, no protests have been filed. (See, case file generally).

5. As of the date of this Order, the District has not filed a written objection to Staff's final recommendations. (See, case file generally).

6. Commission Staff recommended the following: the certificate application to construct water system extensions to the Wikel and Greenville areas and to construct upgrades to the District's existing water system facilities be approved; project financing consisting of a $600,000 USDA RUS loan at 3.75% interest for 40 years, a $1,400,000 USDA RUS grant, a $1,500,000 SCBG and a $700,000 WVIJDC grant be approved; and approval of the agreement between the District and Greenville Water Company, Inc. (See, Final Joint Staff Memorandum with attachment filed on June 16, 2010).

7. Commission Staff recommended a rate increase of 9.5% which results in a pro forma cash surplus of $63,435 and debt service coverage of 128.53%. (See, Final Joint Staff Memorandum with attachment filed on June 16, 2010).

8. The project is financially feasible and should be approved. (See, Final Joint Staff Memorandum with attachment filed June 16, 2010).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the issuance of a certificate of convenience and necessity to Red Sulphur Public Service District to construct a water system extension to the Wikel and Greenville areas and to construct upgrades to the District's existing water system facilities. Approval is contingent upon the filing of any outstanding permits and clearances.

2. It is reasonable to approve the financing for the project, which consists of a USDA RUS loan in the amount of $600,000 for forty (40) years at 3.75% interest, a USDA RUS grant in the amount of $1,400,000, a SCBG in the amount of $1,500,000 and a WVIJDC grant in the amount of $700,000.

3. The Staff-recommended rates, attached hereto as Appendix A, are sufficient, but not more than sufficient, to cover the District's operation and maintenance expenses, taxes other than income taxes, debt service requirements and routine capital additions, including the additional expenses and debt service requirements generated by the project certificated herein. Accordingly, the Staff-recommended rates should be approved to become effective for all service rendered by the District on and after the date of substantial completion of the project certificated herein.

4. It is reasonable to approve the proposed agreement between Red Sulphur Public Service District and Greenville Water Company, Inc., filed on May 17, 2010.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity filed herein on March 19, 2010, by Red Sulphur Public Service District to construct water system extensions at Peterstown, Monroe County, known as the Greenville-Wikel Water Project, and to construct upgrades to the District's existing water system facilities, be, and hereby is, granted.

IT IS FURTHER ORDERED that the proposed financing for the project, consisting of a $600,000 loan for 40 years at 3.75% interest from USDA RUS, a $1,400,000 grant from USDA RUS, a $1,500,000 SCBG and a WVIJDC grant in the amount of $700,000, be, and it hereby is, approved.

IT IS FURTHER ORDERED that the Staff-recommended rates and charges attached as Appendix A, be, and hereby are, approved for use by Red Sulphur Public Service District for all service rendered on and after the date of the substantial completion of the project certificated herein.

IT IS FURTHER ORDERED that, within thirty (30) days of filing the certificate of substantial completion for the project, Red Sulphur Public Service District file an original and at least five (5) copies of a proper tariff setting forth the rates and charges hereby approved.

IT IS FURTHER ORDERED that, if there are any changes in the plans, scope or financing of the project, Red Sulphur 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 costs which do not affect rates, Red Sulphur Public Service District file herein an affidavit duly executed by a certified public accountant verifying that the District's rates and charges are not affected.

IT IS FURTHER ORDERED that Red Sulphur Public Service District submit a copy of the certified tabulation of bids to the Commission, making the bids a part of the Commission's file in this case, as soon as the bids are tabulated.

IT IS FURTHER ORDERED that Red Sulphur Public Service District submit to the Commission the project engineer's certificate of substantial completion and inspection of the project.

IT IS FURTHER ORDERED that, if this project requires use of Division of Highways' rights-of-way, Red Sulphur 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 Red Sulphur Public Service District submit all permits as soon as they are issued by governmental agencies prior to commencing construction.

IT IS FURTHER ORDERED that the agreement between Red Sulphur Public Service District and Greenville Water Company, Inc., filed on May 17, 2010, be, and hereby is, approved, without specifically approving the terms and conditions thereof.

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 by electronic service upon all parties of record who have filed an e-service agreement with the Commission and by United States Certified Mail, return receipt requested, upon all parties of record who have not filed an e-service agreement with the Commission.

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

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

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

DYV:s:cdk
100371ac.wpd

RED SULPHER PUBLIC SERVICE DISTRICT
CASE NO. 10-0371-PWD-CN

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial water service.

RATES (Customers with metered water supply)

First	3,000 gallons used per month	$9.04	per 1,000 gallons
Next	4,000 gallons used per month	$8.42	per 1,000 gallons
Next	95,000 gallons used per month	$7.63	per 1,000 gallons
All Over	102,000 gallons used per month	$6.99	per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than $27.12 per month.

5/8 x 3/4 inch meter	$ 27.12 per month
3/4 inch meter	$ 40.70 per month
1 inch meter	$ 67.84 per month
1-1/2 inch meter	$ 135.67 per month
2 inch meter	$ 217.07 per month
3 inch meter	$ 407.01 per month
4 inch meter	$ 678.35 per month
6 inch meter	$1,356.71 per month

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid 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.

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 customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

RECONNECTION

$25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills, or fraudulent use of water.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

$0.63 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible water leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SECURITY DEPOSIT

Not to exceed one-twelfth (1/12) of the annual estimated charge for residential service or one-sixth (1/6) of the annual estimated charge for commercial service, or fifty dollars, whichever is greater.

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

RECEIPT FOR SERIES 2011 A 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 this 17th day of March, 2011, as follows:

1. On the 17th day of March, 2011, at Peterstown, West Virginia, the undersigned received for the Purchaser the Red Sulphur Public Service District Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture), No. AR-1 (the "Series 2011 A Bonds"), issued as a single, fully registered Bond, in the principal amount of $600,000, dated the date hereof, bearing interest at the rate of 3.375% per annum, payable in monthly installments as stated in the Bond.

2. At the time of such receipt, the Series 2011 A Bonds had been executed and sealed by the designated officials of the Public Service Board of Red Sulphur Public Service District (the "Issuer").

3. At the time of such receipt, there was paid to the Issuer the sum of $65,606.43, being a portion of the principal amount of the Series 2011 A Bonds. The balance of the principal amount of the Series 2011 A Bonds will be advanced by the Purchaser to the Issuer as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Blank]

WITNESS my signature on this the day and year first written above.

Authorized Representative

02.24.11
742910.00006

5366562

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE
SYSTEM REVENUE BOND, SERIES 2011 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$600,000

No. AR-1 Date: March 17, 2011

FOR VALUE RECEIVED, RED SULPHUR 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 SIX HUNDRED THOUSAND DOLLARS ($600,000), plus interest on the unpaid principal balance at the rate of 3.375% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $2,340, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of improvements and extensions to the existing public waterworks and 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 an indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted on March 15, 2011, 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 Farmer and Rural Development Act of 1965. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

(1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 6, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,026,000;

(2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 6, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $473,000;

(3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 11, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,150,000;

(4) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000;

(5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500;

(6) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED MAY 20, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500;

(7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000; AND

(8) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED

NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647; (COLLECTIVELY, THE "FIRST LIEN BONDS")

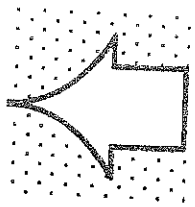
THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE 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 Blank]

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT
(Name of Borrower)



[CORPORATE SEAL]

(Signature of Executive Official)

Chairman
(Title of Executive Official)

200 Market Street
(P.O. Box No. or Street Address)

Peterstown, West Virginia 24963
(City, State and Zip Code)

SPECIMEN

ATTEST:

(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

SPECIMEN

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $65,606.43	3/17/2011	(19)	
(2)		(20)	
(3)		(21)	
(4)		(22)	
(5)		(23)	
(6)		(24)	
(7)		(25)	
(8)		(26)	
(9)		(27)	
(10)		(28)	
(11)		(29)	
(12)		(30)	
(13)		(31)	
(14)		(32)	
(15)		(33)	
(16)		(34)	
(17)		(35)	
(18)		(36)	

TOTAL $_____

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers 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: _____,20____.

_____

In presence of:

_____

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2011 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$600,000

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	March 17, 2011	United States Department of Agriculture	

02.23.11
742910.00006

5366467

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

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

Writer's Contact Information

March 17, 2011

Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

Red Sulphur Public Service District
Peterstown, 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 Red Sulphur Public Service District in Monroe County, West Virginia (the "Issuer"), of its $600,000 Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 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"), a Bond Resolution duly adopted by the Issuer on March 15, 2011, (the "Bond Legislation"). We have examined the law and such certified copies of 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 Bond Legislation and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with full power to adopt and enact the Bond Legislation, perform the agreements on its part contained therein and issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Bond Legislation has been duly and effectively adopted and enacted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Bond Legislation creates a valid lien on the funds pledged by the Bond Legislation for the security of the Bonds, on a parity with the Issuer's: (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated November 6, 2006, issued in the original aggregate principal amount of $1,026,000

(the "Series 2006 A Bonds"); (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated November 6, 2006, issued in the original aggregate principal amount of $473,000 (the "Series 2006 B Bonds"); (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $4,150,000 (the "Series 2005 A Bonds"); (iv) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000 (the "Series 2003 A Bonds"); (v) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500 (the "Series 2002 A Bonds"); (vi) Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500 (the "Series 1999 Bonds"); (vii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000 (the "Series 1992 Bonds"); (viii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647 (the "Series 1987 A Bonds") and senior and prior to the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173 (the "Series 1987 B Bonds") (collectively, 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 Bond Legislation.

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

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

Very truly yours,

STEPTOE & JOHNSON PLLC

02.24.11
742910.00006

LAW OFFICES
WILLIAM S. WINFREY, II.
W. Va. State Bar 4093
1608 West Main Street
Post Office Box 1159
Princeton, West Virginia 24740
bill@winfreylaw.com
Telephone: (304)487-1887
Facsimile: (304)425-7340
File No. 05-199

March 17, 2011

Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

Red Sulphur Public Service District
Peterstown, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Red Sulphur Public Service District, a public service district in Monroe County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a Bond Resolution duly adopted by the Issuer on March 15, 2011 (the "Bond Legislation"), 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 Monroe County relating to the creation and expansion of the Issuer and the appointment of members of the Public Service Board of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation when used herein.

I am of the opinion that:

1. The Issuer is a duly created and validly existing public service district and 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 elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

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

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Bond Legislation, and the carrying out of the terms thereof, do

not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

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 Monroe County and the Public Service Commission of West Virginia, and the Issuer has duly 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 time for appeal of which has expired prior to the date hereof without appeal.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

7. The Issuer has received all orders and approvals from the Public Service Commission of West Virginia, including the Recommended Decision of the Public Service Commission of West Virginia entered on August 2, 2010, which became Final Order on August 22, 2010, in Case No. 10-0371-PWD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the rates and charges of the System, and approving the financing for the Project. The time for appeal has expired prior to the date hereof without any appeal. Such Order remains in full force and effect.

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

Very truly yours,

William Winfrey

02.24.11
742910.00006

Position 5

Form RD 442-22
(Rev. 10-96)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

FORM APPROVED
OMB NO. 0575-0015

OPINION OF COUNSEL RELATIVE TO RIGHTS-OF-WAY

Date 03-17-2011

Dear Sir:

I have reviewed the action taken by Red Sulphur Public Service District (hereinafter called the "Corporation") in obtaining a right-of-way for the construction, operation, and maintenance of the facilities to be installed, repaired, or enlarged with the proceeds of a loan made or insured by, and/or a grant from Rural Development to the Corporation. I have examined the right-of-way instruments, permits, or licenses obtained from landowners, public bodies, and public utilities and made such searches of the public records necessary to determine the legal sufficiency of the instruments covered by the "Right-of-way

Certificate," executed by the Corporation on March 17, 20 11. I also have examined the "Right-of-way Map" to determine whether continuous and adequate land and rights-of-way are owned or have been acquired by the instruments covered in the "Right-of-way Certificate".

Based on the foregoing examination, and to the best of my knowledge, information, and belief, I am of the opinion that:

A. The legal instruments by which the Corporation has acquired said rights-of-way (a) are in appropriate and due legal form and adequately confer upon the Corporation the necessary rights-of-way for the construction, operation, and maintenance of its facilities in their present or proposed location, and such omissions or defects as may exist will in no substantial way or manner endanger the value or operation of the facilities, and (b) have each been properly recorded in the appropriate public land records of each County in which any of the land affected thereby is situated. Such consents, releases, or subordinations from lienholders recommended by me or required by Rural Development have been obtained.

B. The legal instruments referred to above give unto the Corporation a continuous and adequate right-of-way to permit the construction, operation, and maintenance of the Corporation's facilities except as below noted.

C. Exceptions:
None

Very truly yours,

William S Winfrey, II

Attorney for Red Sulphur Public Service District

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer STOP 7602, 1400 Independence Avenue, S. W, Washington, D. C. 20250-7602. ***Please DO NOT RETURN this form to this address.*** *Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.*

LAW OFFICES
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Facsimile: (304)425-7340
File No. 05-199

March 17, 2011

Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

Red Sulphur Public Service District
Peterstown, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Red Sulphur Public Service District, a public service district in Monroe County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a Bond Resolution duly adopted by the Issuer on March 15, 2011 (the "Bond Legislation"), 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 Monroe County relating to the creation and expansion of the Issuer and the appointment of members of the Public Service Board of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation when used herein.

I am of the opinion that:

1. The Issuer is a duly created and validly existing public service district and 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 elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

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

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Bond Legislation, and the carrying out of the terms thereof, do

not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

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 Monroe County and the Public Service Commission of West Virginia, and the Issuer has duly 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 time for appeal of which has expired prior to the date hereof without appeal.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

7. The Issuer has received all orders and approvals from the Public Service Commission of West Virginia, including the Recommended Decision of the Public Service Commission of West Virginia entered on August 2, 2010, which became Final Order on August 22, 2010, in Case No. 10-0371-PWD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the rates and charges of the System, and approving the financing for the Project. The time for appeal has expired prior to the date hereof without any appeal. Such Order remains in full force and effect.

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

Very truly yours,

William Winfrey

02.24.11
742910.00006

Position 5

Form RD 1927-10
(Rev. 7-98)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FARM SERVICE AGENCY

FORM APPROVED
OMB NO. 0575-0147

FINAL TITLE OPINION

LOAN APPLICANT	ADDRESS OR PROPERTY COVERED BY THIS OPINION	
Red Sulphur Public Service District P. O. Box 697 Peterstown, WV 24963	Greenville/Wikel area	
APPLICANT FOR TITLE EXAMINATION Red Sulphur Public Service District P. O. Box 697 Peterstown, WV 24963	COUNTY Monroe	STATE West Virginia

I. I have examined title to the property described in the security instrument described in paragraph II. B. below. My examination covered the period from the time of termination of title search covered by my Preliminary Title Opinion on Form RD 1927-9; or the time of recordation of the initial loan security instrument if this opinion covers land already owned by the loan applicant in a subsequent loan case, to March 17 (Date), 2011 at 9:00 a.m. p.m. (including the time of filing the current security instrument).

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

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

as _____
(Joint tenants, tenants by the entirety, etc.)

B. The United States of America holds a valid first *(Priority)* mortgage *(Mortgage, etc.)* lien on said property as required by Rural Development or the Farm Service Agency, or their successor (Agency), which lien was filed for record on _____ *(Date)*, _____, at _____ a.m. p.m. and is recorded in _____ *(Book, page, and office)*.

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

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

None

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0147. The time required to complete this information collection is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

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

V. This opinion is issued expressly for the benefit of the above-named applicant for title examination and the United States of America acting through the United States Department of Agriculture Agency which provided the assistance, and I assume liability to each hereunder.

03-17-2011
(Date)

(Attorney's signature)

1608 West Main Street
P. O. Box 1159
Princeton, WV 24740

(Address, include ZIP Code)

Attachments

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 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. GRANTS
15. CONFLICT OF INTEREST
16. PROCUREMENT OF ENGINEERING SERVICES
17. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of the Public Service Board of Red Sulphur Public Service District, in Monroe County, West Virginia (the "Issuer"), and the undersigned COUNSEL for the Issuer, acting for the Issuer and in its name, hereby state and certify on this the 17th day of March, 2011, in connection with the Red Sulphur Public Service District Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of $600,000 (the "Series 2011 A Bonds"), as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Series 2011 A Bonds have been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions from the Purchaser, dated April 14, 2009, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted on March 15, 2011, authorizing issuance of the Series 2011 A (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Bond Resolution when used herein. The Series 2011 A Bonds are being issued on this date to finance a portion of the cost of the acquisition and construction of the Project, herein defined and described, located within the boundaries of the Issuer.

2. NO LITIGATION: No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any

manner the issuance and delivery of the Series 2011 A Bonds or receipt of any grant monies, if any, committed for the System, hereinafter defined; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2011 A Bonds; nor in any way questioning or affecting the validity of the grants, if any, committed for the System or the validity of the Series 2011 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 2011 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 2011 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 Official 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 2, 2010, which became Final Order on August 22, 2010, in Case No. 10-0371-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project approving rates for the system and approving the financing for the Project. The time for appeal has expired prior to the date hereof without any appeal. Such 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 the acquisition and construction of the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2011 A Bonds as to liens, pledge and source of and security for payment, and in all respects, being the Issuer's: (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated November 6, 2006, issued in the original aggregate principal amount of $1,026,000 (the "Series 2006 A Bonds"); (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated November 6, 2006, issued in the original aggregate principal amount of $473,000 (the "Series 2006 B Bonds"); (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $4,150,000 (the "Series 2005 A Bonds"); (iv) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000 (the "Series 2003 A Bonds"); (v) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500 (the "Series 2002 A Bonds"); (vi) Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500 (the "Series 1999 Bonds"); (vii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000 (the

"Series 1992 Bonds"); (viii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647 (the "Series 1987 A Bonds") (collectively, the Series 2006 A Bonds, the Series 2006 B Bonds, the Series 2005 A Bonds, the Series 2003 A Bonds, the Series 2002 A Bonds, the Series 1999 Bonds, the Series 1992 Bonds and the Series 1987 A Bonds are referred to as the "First Lien Bonds"). The Series 2011 A Bonds will be senior and prior, as to liens, pledge and source of and security for payment, to the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173 (the "Series 1987 B Bonds"). The First Lien Bonds and Series 1987 B Bonds are sometimes collectively herein referred to as the "Prior Bonds". Other than the Prior Bonds there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2011 A Bonds as to liens, pledge and/or service of and security for payment.

Prior to the issuance of the Series 2011 Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; (ii) the written consents of the Holders of the First Lien Bonds to the issuance of the Series 2011 Bonds on a parity with the First Lien Bonds; and (iii) the written consent of the Holders of the Series 1987 B Bonds to the issuance of the Series 2011 Bonds on a senior and prior basis to the Series 1987 B Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

The Issuer is 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 hereof, officially execute and seal the Series 2011 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 or appointed (as applicable), qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Series 2011 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 or changed in any way unless modification appears from later documents also listed below:

Bond Resolution

Prior Bond Resolutions

Consent of USDA to Issuance of Parity Bonds

Consent of Water Development Authority to Issuance of Parity Bonds

USDA Letter of Conditions, with all amendments

Public Service Commission Order

County Commission Orders on Creation of District

County Commission Orders of Appointment of Current Board Members

Oaths of Office of Current Board Members

Rules of Procedure

Affidavit of Publication of Notice of Filing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

Bureau for Public Health Permit

United States Department of Agriculture Loan Agreement

United States Department of Agriculture Grant Agreement

West Virginia Infrastructure and Jobs Development Council Grant Agreement

Evidence of the Small Cities Block Grant

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Red Sulphur Public Service District" and its principal office and place of business are in Monroe 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
John S. Porterfield	August 3, 2005	August 3, 2011
Rob Williams	August 3, 2005	August 3, 2011
Jerry Pitzer	February 3, 2011	February 3, 2017

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2011 are as follows:

Chairman	-	John S. Porterfield
Secretary	-	Jerry Pitzer

The duly appointed and acting Attorney for the Issuer is William Winfrey, Esquire, Princeton, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Series 2011 A Bonds were delivered to the Purchaser at Peterstown, West Virginia, by the undersigned Chairman for the purposes of (i) paying a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the water portion of the existing public combined waterworks and sewerage system of the Issuer (the "Project"); and (ii) paying certain costs of issuance of the Bonds and related costs, and at the time of such delivery, the Series 2011 A Bonds have been duly and fully executed and sealed on behalf of the Issuer in accordance with the Resolution.

At the time of delivery of the Series 2011 A Bonds, the undersigned Chairman received $65,606.43, being a portion of the principal amount of the Series 2011 A Bonds. Further advances of the balance of the principal amount of the Series 2011 A Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

The total cost of the Project is estimated at $4,407,500. Sources and uses of funds for the Project are as follows:

SOURCES	
Proceeds of the Series 2011 A Bonds	$600,000
Proceeds of the Grant from the USDA	$1,400,000
Proceeds of the WV IJDC Grant	$894,500
Proceeds of the Small Cities Block Grant	$1,500,000
Total Sources	$4,407,500
USES	
Costs of Acquisition and Construction	$4,392,500
Costs of Issuance	$15,000
Total Uses	$4,407,500

The Series 2011 A Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 3.375% per annum is payable from the date of each respective advance.

The Series 2011 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 2011 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 official West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed (as applicable), qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

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

12. CONNECTIONS, ETC.: The Issuer will serve at least 2,113 bona fide users with the System upon the completion of the Project, 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 the Purchaser.

14. GRANT: As of the date hereof, the grant from the United States Department of Agriculture in the amount of $1,400,000, the grant from the West Virginia Infrastructure and Jobs Development Council in the amount of $894,500, and the Small Cities Block Grant in the amount of $1,500,000 are committed and in full force and effect.

15. CONFLICT OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Series 2011 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.

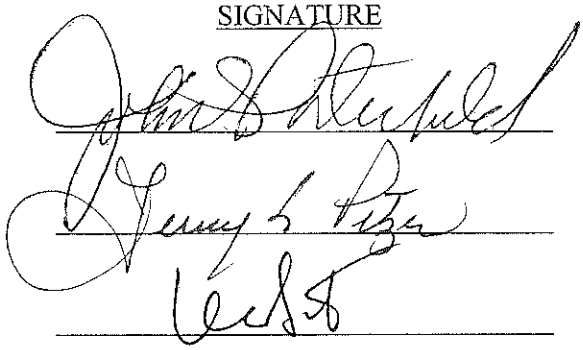
16. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

17. 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 corporate seal of RED SULPHUR PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
	Chairman
	Secretary
	Attorney for Issuer

02.24.11
742910.00006

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

I, Robert D. Hazelwood, Registered Professional Engineer, West Virginia License No. 8452 of Pentree, Inc., Princeton, West Virginia, hereby certify this 17th day of March, 2011 that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing water portion of the combined waterworks and sewerage system (the "System") of Red Sulphur Public Service District (the "Issuer"), to be acquired and constructed in Monroe 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.

The Project has been designed to, and the construction contracts provide for, water service for up to 133 new customers in the Wikel and Greenville areas.

WITNESS my signature on the day and year first written above.

PENTREE, INC.

Robert D. Hazelwood

Robert D. Hazelwood, P.E.
West Virginia License No. 8452

ROBERT D. HAZELWOOD REGISTERED 8452 STATE OF WEST VIRGINIA PROFESSIONAL ENGINEER

02.24.11
742910.00006

5366460

10A

Monroe County Commission

Greenville-Wikel Water Project

IJDC # 2001W-583

FINAL TOTAL COST OF PROJECT, SOURCES OF FUNDS, AND COST OF FINANCING

A. COST OF PROJECT	TOTAL BUDGET	SCBG	RUS Loan/Grant	WVIJDC	Red Sulphur Match
1.Construction (Contract #1)	3,085,355	907,000	1,378,555	799,800	
Construction (Contract #2)	332,000	100,000	182,000	50,000	
Construction Other (Electrial)	15,000		15,000		
2. Construction Cont.	171,600		126,900	44,700	
3.Technical Services					
Basic Service	260,000	260,000			
Resident Inspection	206,000	95,000	111,000		
Special Services	60,000	45,000	15,000		
4. Legal Fees	23,000		15,880		7,120
5. Administrative	70,000	70,000			
6. Acquisition	20,000	5,000	15,000		
7. LMI Assessment	13,000	13,000			
8. Accountant	10,000		4,120		5,880
9. Permits	36,200	5,000	31,200		
10. Interest	40,500		40,500		
11. Project Contingency	49,845		49,845		
12. Total of Lines 1 through 11	**4,392,500**	**1,500,000**	**1,985,000**	**894,500**	**13,000**
B. COST OF FINANCING	0				
13. Other Costs	0				
a. Bond Counsel	15,000	0	15,000		
14. TOTAL PROJECT COSTS	**4,407,500**	**1,500,000**	**2,000,000**	**894,500**	**13,000**
C. SOURCE OF OTHER FUNDS					
15. Grants					
WVDO Grant	1,500,000	1,500,000			
Red Sulphur PSD	13,000				13,000
RUS Grant	1,400,000		1,400,000		
WVIJDC Grant	894,500			894,500	
16. Size of Bond Issue	**600,000**	**0**	**600,000**	**0**	**0**

John S. Porterfield, Chairman
Red Sulphur Public Service District

2/15/2011
DATE:

Robert Hazelwood, PE
Pentree, Inc.

2/15/2011
DATE:

Imre David Pentek, CPA

P.O. Box 1390 Lewisburg, WV 24901 (304) 647-3949
Fax: (304) 647-3498 E-Mail: ipentek@wildblue.net

PROJECT CPA – USDA CERTIFICATE

March 17, 2011

Red Sulphur Public Service District
USDA CPA Certificate

Red Sulphur Public Service District
Peterstown, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Ladies and Gentlemen:

I, Imre D. Pentek, a Certified Public Accountant, License No. WV #3737, West Virginia, have reviewed the books and records of the Red Sulphur Public Service District. The PSD is required by its prior bond covenants to fund reserve accounts at a minimum annual deposit of 1/12 ofanamountequal to one year debt service. I hereby certify that the PSD's debt service reserves are funded or being funded in accordance with these requirements. I also provide certification that the accounts and records of the PSD have been established in accordance with West Virginia Public Service Commission requirements and these accounts and records are operational.

Very truly yours,

Imre D. Pentek

Member of
AICPA®

Imre David Pentek, CPA

P.O. Box 1390 Lewisburg, WV 24901 (304) 647-3949
Fax: (304) 647-3498 E-Mail: ipentek@wildblue.net

March 17, 2011

Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

Red Sulphur Public Service District
Peterstown, West Virginia

United States Department of Agriculture
Beckley, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the sewer rates and charges set forth in the Recommended Decision of the Public Service Commission of West Virginia (the "PSC") in Case No. 05-1007-PSD-CN, entered January 3, 2006 which became a Final Order of the PSC on February 2, 2006 and the water rates and charges set forth in the Recommended Decision of the Public Service Commission in Case No. 10-0371-PWD-CN, dated August 2,2010, and projected operating expenses and anticipated customer usage as furnished to me by Pentree, Inc., Consulting Engineer, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the Combined Waterworks and Sewerage System (the "System") of Red Sulphur Public Service District (the "Issuer"), will provide for all Operating Expenses of the System and will leave a balance each year equal to at least 120% of the maximum amount required in any year for payment of principal of and interest, if any, on the (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture) to be issued in the amount of $600,000, (the "Series 2011 A Bonds"), and (ii) all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2011 Bonds, including the Issuer's: (i) Combined Waterworks and Sewerage System

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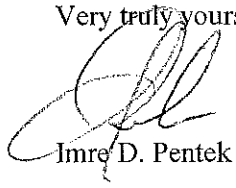
Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A

Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647, (the "Series 1987 A Bonds"); (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173 (the "Series 1987 B Bonds"); (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000 (the "Series 1992 Bonds"); (iv) Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500 (the "Series 1999 Bonds"); (v) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500 (the "Series 2002 A Bonds"); (vi) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000 (the "Series 2003 A Bonds"); (vii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $4,150,000 (the "Series 2005 A Bonds"); (viii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated November 6, 2006, issued in the original aggregate principal amount of $1,026,000, (the "Series 2006 A Bonds"); (ix) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated November 6, 2006, issued in the original aggregate principal amount of $473,000, (the "Series 2006 B Bonds"). The Series 1987 A Bonds, Series 1987 B Bonds, Series 1992 Bonds, Series 1999 Bonds, Series 2002 A Bonds, Series 2003 A Bonds, Series 2005 A Bonds, Series 2006 A Bonds and Series 2006 B Bonds are collectively, the "Prior Bonds".

It is my further opinion that (i) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2011 Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2011 Bonds, will not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Prior Bonds, and the Series 2011 Bonds, and (ii) the Net Revenues for the fiscal year following the year in which the Series 2011 Bonds are issued will be at least 120% of the average annual debt service requirements on the Prior Bonds and the Series 2011 Bonds.

Very truly yours,



Imre D. Pentek

Red Sulphur Public Service District

May 4, 1959	Monroe County order creating Red Sulphur Public Service District
December 3, 1990	Monroe County order for hearing to merge **Lindside Valley Public Service District** and expand boundaries of Red Sulphur Public Service District
February 4, 1991	Monroe County Order consolidating Lindside Valley Public Service District and expand boundaries of Red Sulphur Public Service District
June 12, 1991	PSC Order approving consolidation of Lindside Valley Public Service District and expand boundaries of Red Sulphur Public Service District
December 2, 1991	Monroe County order clarifying that Red Sulphur Public Service District is for both water and sewer services

April, 1959

[illegible]

Having been erroneously charged $2.00 capitation tax which had been [illegible] Assessor, as shown by Receipt No. 1151.

It is therefore ordered that the said applicant be refunded, [illegible] the amount of $2.00 capitation tax.

[illegible]

FIDUCIARY SETTLEMENTS AND [illegible] APPROVED

Decedent or Ward.		Fiduciary		Kind of Settl.	[illegible]
G. C. Shaver,	Dec'd.	Pearl Shaver,	Exect.	F. Settl. [illegible]	A. [illegible]
William Ashby Young,	Dec'd.	Leighton Dransfield,	Exec.	F. Settl. [illegible]	A. [illegible]
Sidney C. Skaggs,	Dec'd.	Charles F. Skaggs,	Admr.	F. Settl. [illegible]	A. [illegible]
E. H. Wiley,	Dec'd.	Lorena E. Wiley,	Exec.	F. Settl. [illegible]	[illegible]
Mary E. Nash,	Dec'd.	J. Frank and Ralph Nash,	Admr.	F. Settl. [illegible]	Forrest [illegible]
C. W. Thompson, Mattie B. Thompson,	Dec'd. Inc.	Pearl Pence, Pearl Pence,	Admr. Com.	F. Settl. [illegible]	[illegible]

And the foregoing settlements having been examined and the Court hereby approved and confirms said settlements and orders the same recorded in the proper Fiduciary [illegible] of this Court.

And, upon the recommendation of [illegible], one of the Commissioners of Accounts of this Court, Pearl Shaver, Executrix of the estate of G. C. Shaver, Leighton Dransfield, Executor of the estate of William Ashby Young, deceased, and Charles F. Skaggs, Administrator of the estate of Sidney C. Skaggs, deceased, be relieved and the surety on their bonds be relieved from any further liability in connection with the settlements of the estates herein reported.

And, further upon the recommendation of Forrest Holes, one of the Commissioners of Accounts of this Court, Lorena E. Wiley, Executrix of the estate of E. H. Wiley, deceased, J. Frank and Ralph Nash, Administrators of the estate of Mary E. Nash, deceased, and Pearl Pence, Administratrix and Committee of C. W. Thompson, deceased and Mattie B. Thompson, Incompetent, be relieved and the surety on their bonds be relieved from any further liability in connection with the settlements of the estates herein reported.

[illegible]

PROPOSING CREATION OF PUBLIC SERVICE DISTRICT

At a regular meeting of the County Court of Monroe County, West Virginia, [illegible] the courthouse on the 6th day of April, 1959, at 10:[illegible] A. M., there were present [illegible] Cook, President, and H. L. Walkup and Charles [illegible] Hines, Commissioners. [illegible] duced and caused to be read a proposed resolution and [illegible] titled:

" A Resolution and Order Proposing the Creation of a Public Service District [illegible] Monroe County, West Virginia, and Providing for the Establishment of a Date of a [illegible] Hearing Thereon and for Publication of a Notice of such Public Hearing".

and moved the adoption of said proposed resolution and order. [illegible] Hines [illegible] said motion and, after due consideration, the President called for a vote upon said motion with the following result:

For the Motion: Hugh G. Cook, President, H. L. Walkup, Commissioner, Charles

"WHEREAS, the County Court of Monroe County, deeming it to be in the public interest, on its own motion proposes the creation of a public service district within Monroe County, West Virginia; and

"WHEREAS, the Town Council of the Town of Peterstown, a municipal corporation located wholly within the proposed public service district, has given its consent to the creation of said public service district, which consent is evidenced by a resolution adopted by the said Town Council on the 10th day of March, 1959, at a regular adjourned meeting of said council, a certified copy of which has been filed with the Clerk of this Court this day, which said resolution is as follows:

BE IT RESOLVED, That the Town Council of the Town of Peterstown is of the opinion it is necessary for the health and sanitation of the said Town and its inhabitants and inhabitants of areas adjacent to the Town that the sewer system of the Town be improved by the making of certain additions thereto and extensions thereof, including the erection of a primary sewage treatment plant or arrangement with some other municipality or public body operating a primary sewage treatment plant to serve the sewage collection and sewerage system of the said Town; and

BE IT FURTHER RESOLVED, That Dennis M. Leary, Jr., Civil Engineer of Charleston, West Virginia, and W. H. Pile, Jr., Attorney at Law, Beckley, West Virginia, are hereby employed by the Town of Peterstown as engineer and attorney respectively to render necessary engineering and legal services respectively to accomplish this end; and

BE IT FURTHER RESOLVED, That the Town Council finds that the most practical means of accomplishing this end is the formation of a Public Service District by the County Court of this County with the power to provide sewerage and water services if deemed necessary for the said area, the said Public Service District to include all of Red Sulphur District of said county, which includes all of the area of the Town of Peterstown; and

BE IT FURTHER RESOLVED, That the Town Council of the Town of Peterstown does hereby consent to the Town of Peterstown being included within the boundaries of such proposed district and does hereby request the County Court of Monroe County to form such district.

I, James F. Webb, Recorder of the Town of Peterstown, West Virginia, do hereby certify that the foregoing resolution was duly adopted by the Council of the Town of Peterstown at a regular adjourned meeting of said Council held on the 10th day of March, 1959, at 7:30 o'clock P. M.

James F. Webb
Recorder
Town of Peterstown

and

"WHEREAS, pursuant to the provisions of Article 13A of Chapter 16 of the Code of West Virginia, a public hearing is required to be held relative to the creation of the proposed public service district.

"NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the County Court of Monroe County, West Virginia, as follows:

"Section 1. That the County Court of Monroe County, West Virginia, deeming it to be in the public interest, hereby proposes the creation of a public service district in Monroe County, West Virginia, as provided by Article 13A of Chapter 16 of the Code of West Virginia.

"Section 2.

"b) The territory to be embraced in the public service district shall be as follows: All of Red Sulphur District, Monroe County, West Virginia.

"c) The purpose of said public service district shall be to construct or acquire by purchase or otherwise and maintain, operate and improve and extend properties supplying sewerage services within such territory.

"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, Code of West Virginia, but does include the municipal corporation of the Town of Peterstown.

"Section 3. That on the 4th day of May, 1959, at the hour of 10:30 A. M. this County Court shall meet in the Circuit Courtroom in the courthouse at Union, 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 and shall have an opportunity to be heard for and against the creation of said district, and, at such hearing, the County Court shall consider and determine the feasibility of the creation of the proposed public service district.

"Section 4. That the Clerk of this Court is hereby authorized and directed to publish notice of such hearing in substantially the form hereinafter set out to be published on April 23 and April 30, 1959 in The Monroe Watchman, a newspaper of general circulation published in Monroe County.

"NOTICE OF PUBLIC HEARING ON CREATION OF RED SULPHUR PUBLIC SERVICE DISTRICT

"Notice is hereby given that, deeming it to be in the public interest, the County Court of Monroe County, West Virginia on its own motion, it having received the consent of the Town Council of the Town of Peterstown, a municipal corporation lying within the limits of said proposed district, as required by law, has proposed the creation of a public service district within Monroe County for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation and extension of public service properties supplying sewerage services within the district hereinafter described to be named Red Sulphur Public Service District and having the following description:

All of Red Sulphur District in Monroe County, West Virginia.

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 Monroe County will conduct a public hearing on the 4th day of May, 1959, at 10:30 A. M. in the Circuit Courtroom in the courthouse at Union, 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 April, 1959.

ATTEST Harold C. McDonald
Clerk of the County Court of Monroe County, West Virginia

ADJOURNMENT ORDER:

It is ordered that this Court be and the same is hereby adjourned until [illegible]

May 4, 1959

FIDUCIARY SETTLEMENTS AND REPORT OF CLAIMS, APPROVED.

Decedent or Ward,	Fiduciary	Kind of Settl.	Date	Commissioner Assgd.
Mickey S. Ball, Minor	J. L. Inglax, Guardian	Settl	4-10-59	Forrest Noles
Lewis P. Christie, Decld.	Maxine C. Beckett, Admr.	Settl.	4-13-59	Forrest Noles.
S. B. Leach, Decld.	J. Harvey Leach, Exec.	F. Settl.	4-15-59	Forrest Noles.

And the foregoing settlements having been examined and the Court hereby approved and confirms said settlements and orders the same recorded in the proper Fiduciary Record of this Court.

And, upon the recommendation of Forrest Noles, one of the Commissioners of Accounts of this Court, J. Harvey Leach, Executor of the estate of S. B. Leach, deceased, be relieved and the surety on their bonds be relieved from any further liability in connection with the settlement of the estate herein reported.

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RED SULPHUR PUBLIC SERVICE DISTRICT:

At a regular meeting of the County Court of Monroe County, West Virginia, held at the courthouse at Union at 10:00 A. M., on Monday, May 4, 1959, there were present, Hans G. Cook, President, presiding, and H. L. Walkup and Charles O. Hines, Commissioners.

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed Red Sulphur Public Service District as contemplated and provided for in an order heretofore passed by this court on the 6th day of April, 1959, the president announced that all persons residing in, or owning, or having any interest in property in such proposed public service district desiring to be heard for or against the creation would be heard, and all such interested persons desiring to be heard were given full opportunity.

The County Court, having further discussed and considered the feasibility of the creation of the proposed district, is of the opinion that in the public interest, the said district should be created.

Thereupon, H. L. Walkup moved the passage of the following resolution and order, which motion was duly seconded by Charles O. Hines and passed unanimously by said court.

"WHEREAS, the County Court of Monroe County, West Virginia, did heretofore, by an order passed on the 6th day of April, 1959, fix a date for a public hearing on the creation of the proposed Red Sulphur Public Service District, and in and by said 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 Court at this meeting and have the opportunity to be 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 order and by Article 13A of Chapter 16 of the Code of West Virginia, 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 been filed by the requisite number of qualified voters registered and residing within said proposed public service district, and said County Court has given due consideration to all matters for which such hearing was offered; and

"NOW, THEREFORE, Be It Resolved and Ordered by the County Court of Monroe County, West Virginia, as follows:

"Section 1. That a public service district within Monroe County, West Virginia, is hereby created, and such district shall have the following described boundaries:

"All of Red Sulphur District in Monroe County, West Virginia.

"Section 2. That said public service district so created shall have the name and corporate title of "Red Sulphur 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, Chapter 16 of the Code of West Virginia.

"Section 3. That the County Court of Monroe County, West Virginia has determined that the territory within said county, being all of Red Sulphur District, is so situated that the construction or acquisition by purchase or otherwise, and the maintenance, operation, improvement and extension of properties supplying sewerage service within such territory by said public service district will be conductive to the preservation of public health, comfort and convenience of such area."

The following resolution and order, the passage of which was duly moved by W. S. Walkup and seconded by Charles O. Hines, was passed unanimously by the County Court of Monroe County, West Virginia:

"A RESOLUTION AND ORDER APPOINTING MEMBERS TO PUBLIC SERVICE BOARD OF THE RED SULPHUR PUBLIC SERVICE DISTRICT".

"WHEREAS, the County Court of Monroe County, West Virginia, did heretofore, by resolution and order passed May 4, 1959, create Red Sulphur Public Service District; and

"WHEREAS, under the provisions of Article 13a, Chapter 16, of the Code of West Virginia, the powers of said public service district shall be vested in, and exercised by, a public service board; and

"WHEREAS, the Incorporated Town of Peterstown, having a population as shown by the census for the year 1950, of 571, is located within the boundaries of said public service district:

"NOW, THEREFORE, Be It Resolved and Ordered by the County Court of Monroe County, West Virginia, as follows:

"Section 1. That the said court hereby finds and determines that the following persons, who are residents of Red Sulphur Public Service District are hereby appointed members of the public service board of said district, and their respective terms of office shall be as follows: Frank R. Spencer for a term of six years from May 1, 1959; Charles O. Hines for a term of four years from May 1, 1959; and E. S. Rowe for a term of two years from May 1, 1959.

"Section 2. The aforesaid persons shall meet as soon as practicable at the office of the Clerk of said County Court, and shall qualify by taking the oath of office, and thereafter said appointees constituting the initial public service board of Red Sulphur Public Service District shall meet and organize in compliance with the provisions of Article 13a of Chapter 16 of the Code of West Virginia."

ADJOURNMENT ORDER:

It is ordered that this Court be and the same is hereby adjourned until June 1, 1959, at which time it will convene in Regular Session.

(Signed by Cook)
PRESIDENT

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STATE OF WEST VIRGINIA,

COUNTY OF MONROE, TO-WIT:

AT A REGULAR SESSION OF THE COUNTY COURT HELD IN AND FOR THE COUNTY OF MONROE, AT THE COURT HOUSE THEREOF ON MONDAY, JUNE 1,1959: PRESENT, HENRY G. COOK, PRESIDENT, [illegible] WALKUP AND CHARLES O. HINES, ASSOCIATE COMMISSIONERS.

VACATION ORDERS APPROVED:

It is ordered that all orders and proceedings had before the Clerk of this Court in Vacation are approved and confirmed.

BILLS APPROVED FOR PAYMENT

It is ordered that all (orders) drafts payable out of the General County Fund be issued in payment of the following bills, which have this day been approved by this Court.

PAYEE	PURPOSE	AMOUNT	[illegible]
E. B. Duncan	Janitor, N. Y. A.	$ 75.00	[illegible]
The C. & P. Tel. Co.	Tel. Services	115.06	[illegible]
Paul Thompson	Jail Expense	136.00	[illegible]
Roy Bowden	" "	175.00	[illegible]
The Monroe Watchman	Adv.	67.35	[illegible]
Casto & Harris, Inc.	Office Supplies	8.21	[illegible]
West Va. State Industries	" "	31.75	[illegible]
Donald S. Lavigne, Inc.	Uniforms	40.18	[illegible]
May Office Service	Office Supplies	25.00	[illegible]
Sinclair Manifold Products	" "	11.00	[illegible]
The Geo. D. Barnard Co.	" "	24.[illegible]	[illegible]
Greenbrier Laundry Co.	Health Dept. Laundry	4.[illegible]	[illegible]
Monroe Service Station	Service on Bookmobile	6.50	[illegible]
The Baker & Taylor Co.	Book for Bookmobile Library	7.53	9512
The Baker & Taylor Co.	Books for Bookmobile	64.77	[illegible]
Betty L. Grimmett	Work for Sheriff	43.[illegible]	[illegible]
Grace Wickline	" "	25.40	[illegible]
Vernie C. Jervis	Mileage	18.[illegible]	[illegible]
O. B. Grimmett	"	42.00	[illegible]
Wade C. Neel	"	23.45	[illegible]
Mabel Ballard	Work for Assessor	50.00	[illegible]
V. O. Wickline	Commissions and Mileage	[illegible]	[illegible]
T. W. Broyles, Assessor	Mileage	42.00	[illegible]
Sue P. Nichols, Clerk	Postage--Health Dept.	4.00	[illegible]
H. C. McDonald, Clerk	Postage	12.15	[illegible]
T. W. Broyles	Farm Census	180.20	[illegible]
H. C. McDonald	Lunacy --Mileage	3.50	[illegible]
Dr. W. W. Kersey, Jr.	Lunacy	5.00	[illegible]
Dr. Margueritte, J. Kersey	"	13.50	[illegible]
Dr. H. H. Hancock	"	5.[illegible]	[illegible]
Wade H. Ballard, III	"	13.50	[illegible]

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EXONERATIONS APPROVED.

At a Regular Session of the County Court, held on the 1st. day of June, 1959, the Prosecuting Attorney being present and waiving notice of the application for relief from erroneous assessment of taxes as follows:

A. W. THOMPSON

Having been erroneously assessed with a 1954 Ford Automobile which is registered

12/3/1990

IN THE COUNTY COMMISSION OF MONROE COUNTY, WEST VIRGINIA

In Re: Proposed Merger of Red Sulphur Public Service District and Lindside Public Service District, and Expansion of Boundaries of Red Sulphur Public Service District

On December 3, 1990 at a regularly scheduled meeting of the Monroe County Commission, representatives from Lindside Public Service District and Red Sulphur Public Service District appeared before the Monroe County Commission pursuant to a previous request to merge the two districts, and to expand the territory of the remaining District.

At this time the Commission considered the matter and appearing proper to do so, and upon motion of Commissioner Wickline, duly second by Commissioner Sibold and unanimously passed by the Commission, it is ORDERED and ADJUDGED that the Monroe County Commission on its own motion take the necessary steps to merge the two districts, and to expand the territory to the boundaries described on Exhibit A, hereto, and as shown upon the plat filed herein; that it conduct a public hearing pursuant to West Virginia Code Section 16-13A-2 concerning the proposed merger of the two districts, and the enlargement of the territory of the remaining district; that this hearing take place at the Monroe County Courthouse, Union, West Virginia, on January 7, 1991, at 2:00 p.m.; that the Clerk of this Commission prepare a notice concerning this hearing and cause the same to be published

in the Monroe Watchman as a Class I legal advertisement at the first available publication date; that said notice be posted at five conspicious spots within the district by the said Clerk which shall be as follows: Peterstown Post Office, Lindside Post Office, Ballard Post Office, Red Sulphur Public Service District Office, Bob's Grocery, Lindside, West Virginia, and Rock Camp Store, Lindside, West Virginia, and nothing further coming to the Commissions attention, it is further ORDERED that the matter stand continued generally pending said hearing.

Dated December 3, 1996.

MONROE COUNTY COMMISSION

Sam B. Wickline
PRESIDENT

W.C. Sibold
COMMISSIONER

Randall W. Wickline
COMMISSIONER

EXHIBIT A

BEGINNING at the intersection of latitude 37°28'36" and longitude 80°31'54" which is located on the top of Peters Mountain on the boundary line of the Springfield Tax District of Monroe County, WV with the State of Virginia, thence with said boundary line in a southwestern direction to the intersection of latitude 37°25'59" and longitude 80°37'23", a common point with the boundary of the Red Sulphur Tax District of Monroe County, WV, thence in a southwestern direction with the boundary of the Red Sulphur Tax District and the State of Virginia to the intersection of latitude 37°22'42" and longitude 80°46'12" on top of Peters Mountain, thence with said boundary line to the intersection of latitude 37°25'43" and longitude 80°51'31" to a common point at New River

with Mercer County, WV and Summers County, WV, thence leaving common boundary line with State of Virginia and with common boundary line with Summers County in a northeasterly direction to the intersection of latitude 37°31' 24" and longitude 80°47'50", a common point with Springfield Tax District of Monroe County, WV, thence with common boundary line of Springfield Tax District and Summers County in a northeasterly direction to the intersection of latitude 37°34'02" and longitude 80°45'53", thence leaving said boundary line and running through Springfield Tax District S 64°30' E 14.3 miles to to the BEGINNING and containing 119 square miles, more or less, as shown on a map prepared by Pentree, Incorporated, Princeton, WV.

PUBLIC NOTICES
Your Right to Know

NOTICE OF PUBLIC HEARING

Notice of public hearing on proposed merger of Red Sulphur Public Service District and Lindside Valley Public Service District and expansion of boundaries of Red Sulphur Public Service District.

Notice is hereby given that the County Commission of Monroe County, West Virginia, on December 3, 1990, on its own motion, proposed the merging of the Red Sulphur Public Service District and the Lindside Valley Public Service District and the expansion of the boundaries of the Red Sulphur Public Service District to include areas of Springfield Tax District, all within Monroe County, West Virginia, for the purpose of constructing or acquiring by purchase or otherwise, and maintaining, operating, and providing and extending public water (and sewer) service by the Red Sulphur Public Service District to property within said boundaries and also outside said boundaries to the extent permitted by law, which proposed expanded boundaries of Red Sulphur Public Service District are described as follows, to-wit:

BEGINNING at the intersection of latitude 37°28'36" and longitude 80°31'34" which is located on the top of Peters Mountain on the boundary line of the Springfield Tax District of Monroe County, WV with the State of Virginia, thence with said boundary line in a southwestern direction to the intersection of latitude 37°25'59" and longitude 80°37'23", a common point with the boundary of the Red Sulphur Tax District of Monroe County, WV, thence in a southwestern direction with the boundary of the Red Sulphur Tax District and the State of Virginia to the intersection of latitude 37°22'42" and longitude 80°46'12" on top of Peters Mountain, thence with said boundary line to the intersection of latitude 37°25'43" and longitude 80°51'31" to a common point at New River with Mercer County, WV and Summers County, WV, thence leaving common boundary line with State of Virginia and with common boundary line with Summers County in a northeasterly direction to the intersection of latitude 37°31'24" and longitude 80°47'50", a common point with Springfield Tax District of Monroe County, WV, thence with common boundary line of Springfield Tax District and Summers County in a northeasterly direction to the intersection of latitude 37°34'02" and longitude 80°45'53", thence leaving said boundary line and running through Springfield Tax District S 64°50' E 14.3 miles to the BEGINNING and containing 119 square miles, more or less, as shown on a map prepared by Pentree, Incorporated, Princeton, WV.

All persons residing in or owning or having any interest in the property in the present Red Sulphur Public Service District service area or any person residing in or owning or having any interest in the property within the proposed expanded boundaries of the Red Sulphur Public Service District are hereby notified that the County Commission of Monroe County, West Virginia will conduct a public hearing on January 7, 1991 at 2:00 p.m. in its courtroom in the County Courthouse at Union, West Virginia, at which time and place all said interested parties may appear before the Commission and shall have an opportunity to be heard for and against the proposed merger of the Red Sulphur Public Service District and Lindside Valley Public Service District and the proposed expansion of the boundaries of Red Sulphur Public Service District in order to effect the proposed change in the boundaries of public service districts for the aforesaid purposes.

By Order of the County Commission of Monroe County, West Virginia, this 2nd day

To
S.

Certificate Of Publication

STATE OF WEST VIRGINIA

COUNTY OF MONROE, S.S.:

I, H. H. Mohler, publisher of THE MONROE WATCHMAN, do certify that the annexed advertisement of.....

Notice of Public Hearing

.....

in the case (matter) of.....

Red Sulphur Public Service Commission

Vs. .....

Monroe County Commission

was published two (2) consecutive weeks in THE MONROE WATCHMAN, a newspaper published at Union, Monroe County, West Virginia, beginning the 20th day of December 1990

.....

Given under my hand this 15th day of April 19 91

H. H. Mohler
Publisher

Given under my hand this 15th day of April 19 91

Paula A. Bridges
Notary Public

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
PAULA A. BRIDGES
R. Box 417, Union 24983
Commission Expires Dec. 8, 1994

My commission expires on the 5th day of Dec. 19 94

Feb 4, 1991

IN THE COUNTY COMMISSION OF MONROE COUNTY, WEST VIRGINIA

IN RE: Proposed Merger, Red Sulphur Public Service District and Lindside Public Service District, in Expansion of boundaries of Red Sulphur Public Service District

ORDER

On February 4, 1991, the Monroe County Commission met at regularly scheduled meeting, and at that time further considered the proposed merger of Red Sulphur Public Service District, and Lindside Public Service District, as well an expansion of the boundaries of the same, the matter having previously come on for hearing on January 7, 1991, and having been continued from that date to allow further hearing and public discussion at a meeting held at Peterstown, West Virginia, on January 28, 1991, and the matter having been continued to this date for a decision, at which time only Commissioners Sarah Wickline and William Sibold were present, Commissioner Randall Wallace being unable to attend due to illness.

At this time the representatives from the two Public Service Districts in question appeared before the undersigned Commission and the Commission having considered the matter further, it is hereby ORDERED and ADJUDGED by the Monroe County Commission, that the public health, comfort and convenience of the areas in question will be promoted by consolidating the Lindside Valley Public Service District and the Red Sulphur Public Service

District, and by an expansion of its territory, and it is further ordered that Lindside Valley and Red Sulphur Public Service Districts be consolidated and that the boundary of the remaining District to be known as Red Sulphur Public Service District, shall be expanded to the boundaries shown on the exhibit A attached hereto and made a part hereof; that this order is subject to the review and approval of the Public Service Commission of this State and that the Clerk of the undersigned Commission shall cause a true copy of this order to be mailed to Howard Cunningham, Executive Secretary, West Virginia Public Service Commission, Charleston, West Virginia, to serve as notice of this action pursuant to Section 16-13A-2 of the West Virginia Code; that this order is further subject to the review of the State Public Service Commission of a contract between the Town of Peterstown and the Red Sulphur Public Service District dated January 25, 1964, a copy of which is attached hereto as exhibit B, and is further subject to the determination by the said Public Service Commission that said contract proporting to restrict and limit expansion of the service areas of Red Sulphur Public Service District to those areas served at the time of the execution of this contract in 1964, be null and void, and that said contract shall not prohibit in any way the consolidation of said Public Service Districts or the extension of water and sewer service to the Lindside Community.

Dated Feb 6, 1991

MONROE COUNTY COMMISSION

Sam B Wilkins

COMMISSIONER

W. C. Sibold

COMMISSIONER

June 12, 1991

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: June 12, 1991

CASE NO. 91-110-PWD-PC

MONROE COUNTY COMMISSION
Petition for approval of merger
of Red Sulphur Public Service
District and Lindside Valley Public
Service District.

RECOMMENDED DECISION

On February 4, 1991, the Monroe County Commission, a public corporation, adopted an Order to merge Red Sulphur Public Service District and Lindside Valley Public Service District and expand the boundaries of the same, with the new territory to be known as the Red Sulphur Public Service District. On February 15, 1991, the Mayor of Peterstown requested a hearing in Peterstown, concerning the aforesaid mentioned merger.

On February 18, 1991, the Public Service Commission received the Monroe County Commission Order for review and approval pursuant to West Virginia Code §16-13A-2.

By Joint Staff Memorandum filed March 13, 1991, Staff Attorney Drexel M. Vealey advised that the Red Sulphur Public Service District currently owns and operates a water treatment plant and distribution system, but Lindside Valley Public Service District neither owns nor operates a water or sewer system. He further stated that the Red Sulphur Public Service District currently had a case pending before the Commission for upgrading its facility to serve the Lindside area. The City of Peterstown objected to the merger and the project because of an existing contract between the City of Peterstown and the Red Sulphur Public Service District, and because of the proposed rate increase needed to fund the project.

As required by West Virginia Code §16-13A-2 and in consideration of the protest by the Mayor of Peterstown, a municipality within the boundaries of Red Sulphur Public Service District, the Administrative Law Judge, by Order entered March 29, 1991, scheduled a hearing on this matter for April 15, 1991, at 1:00 p.m., in the Council Chambers, 125 Thomas Street, Peterstown, Monroe County, West Virginia, and ordered publication of notice of said hearing.

Notice was published and the hearing convened as scheduled. The Petitioner, Monroe County Commission, and the two (2) Districts, Red

Both Lindside Valley Public Service District and Red Sulphur Public Service District have systems or system modifications in the early stages of design and have active grant and loan applications pending with various public bodies. (Tr., pp. 23-26). In the spring of 1990, the Lindside Valley Public Service District submitted an application to the GOCID office for a Small Communities Block Grant of $750,000.00 and an application to Farmers Home Administration for $700,000.00 in grant/loan consideration. (Tr., p. 23). Since the Monroe County Commission could only submit one (1) Block Grant application, it submitted the application of Lindside Valley Public Service District. The Town of Peterstown submitted a Block grant application to the GOCID office on behalf of the Red Sulphur District in the amount of $750,000.00. (Tr., p. 24). The Farmer's Home Administration, in reviewing these applications, requested that the two pending systems be merged for one combined project and some of the approved funding is contingent on a combined project. (Tr., pp. 24, 25&28).

The Monroe County Commission received the funding requested in the amount of $750,000.00 for the Lindside Valley Public Service District. The Town of Peterstown did not receive any grant from its application on behalf of Red Sulphur Public Service District. (Tr., p. 25). The Farmers Home Administration verbally committed to add a $700,000.00 grant and a $1,979,000.00 loan to the project if the two (2) projects were combined. (Tr., p. 25).

Mr. Hazelwood testified that both Districts reviewed the engineering reports and responded favorably to combining the projects into one and submitted requests to the Monroe County Commission to merge the two (2) Districts in order to provide both Districts with the needed water system. (Tr., pp. 25&26). Finalization and obligations of funding were completed in January 1991. The loan is to be a five percent loan to be paid back over thirty-eight (38) years. (Tr., p. 26). The engineer further testified that the expected rate per 1,000 gallons of water would be significantly less for the combined project as opposed to the rate for either project constructed separately. (Tr., p. 27). Mr. Hazelwood explained the rates and stated that, without a combined project, there was no commitment from Farmer's Home for grant money and the Red Sulphur Public Service District project would cost 50 cents or 60 cents more per 1,000 gallons. (Tr., p. 28).

The area now encompassing the Lindside Public Service District was originally part of the Red Sulphur Public Service District. The area now sought for inclusion in the merger of the two Public Service Districts also includes a small additional portion of territory in order to encompass the vicinity known as Coalter's Chapel and the small water system located there. (Tr., p. 30). The engineer concurs in the FmHA prediction of more efficient operation and maintenance for the merged Public Service District, through use of the established and operational systems of the active Red Sulphur Public Service District, (Tr., pp. 31-33).

Under cross-examination by the Intervenor Jones, Mr. Hazelwood explained that the water would be obtained from the Red Sulphur Public Service District's existing source, and that alternate water sources would

(Tr., pp. 71, 73). Complaints still existed after Mr. Miller became a board member in 1989. (Tr., pp. 73-74).

Mr. Miller discussed the corrective measures mandated by the Department of Health. (Tr., pp. 76-77). Mr. Miller explained that his District hired Pentree, and made every effort to try to get as much grant money as possible. It applied for a grant from the Town Council, Farmers' Home Administration and the Monroe County Commission. (Tr., p. 75). He confirmed that it was the Farmers' Home Administration that suggested the unification of the two systems. (Tr., p. 75). He testified that he was not happy with the proposed merger, but Red Sulphur Public Service District had agreed to merge with Lindside Valley Public Service District and requested that the Monroe County Commission approve same and that the District is requesting approval of the consolidation by the Public Service Commission. (Tr., pp. 78-79).

Mr. Miller testified that, whether the systems are combined or not, the Red Sulphur Public Service District has to provide the Town of Peterstown and the surrounding area with water. (Tr., p. 84). He confirmed that publication was made concerning the meetings. (Tr., p. 86). He explained that Lindside Valley Public Service District was once part of Red Sulphur Public Service District and that the Red Sulphur Public Service District had expanded previously without protest or approval by the Town of Peterstown. (Tr., pp. 89-90).

William C. Sibold testified on behalf of the Petitioner. Mr. Sibold is a member of the Monroe County Commission and during the course of his official duties reviewed and considered a joint request from Lindside Valley Public Service District and Red Sulphur Public Service District for merger. He further stated that during a regular meeting on December 3, 1990, the Commission agreed to take the matter under consideration and to hold a public hearing thereon. A Class II Legal Notice of said meeting was published commencing on December 20, 1990, and the notice was also posted in five different places. (Tr., pp. 92-93).

The matter was discussed at the January 7, 1991 meeting. An additional hearing was held on January 28, 1991. (Tr., p. 94). Mr. Sibold testified that he felt the merger of the two Districts was in the best interests of the public, resulting in a lower overall water rate. (Tr., p. 97).

The final decision was made at the February 4, 1991 meeting. (Tr., p. 104). He also confirmed that, due to the issue raised concerning the effect of a 1964 contract between the Town of Peterstown and Red Sulphur Public Service District, the County Commission conditioned its decision on the Public Service Commission's determination in this regard. (Tr., p. 105). At the conclusion of Mr. Sibold's testimony, the County Commission rested its case.

The Public Service Commission Staff's case was presented through the testimony of Michael W. McNulty, who is a Staff Engineer for the Public Service Commission. Mr. McNulty sponsored Staff's exhibit and recommended approval of the merger and believes it to be in the public interest. (Tr., pp. 108 & 111).

result in higher bills for themselves and others. They offer no specific alternatives nor do they address the health challenge presented by the current public water source.

The impact of rates on the poor and elderly is always of concern to the Public Service Commission, but the Intervenors' attack on this merger does not well serve their neighbors and only results in a shift of attention from the real problem of unreliable and questionable drinking water and the proper forum in which to challenge any resulting construction project.

Mergers and consolidations of public service districts are controlled by West Virginia Code §16-13A-2. That section mandates that the Public Service Commission shall at all times attempt to bring about the expansion or merger of existing public service districts in order to provide increased services. Therefore, the burden of persuasion in this matter falls upon the parties seeking to stop or prevent the merger. This burden has not been met by the Intervenors in this case.

The Petitioner, Monroe County Commission, has presented the testimony of a duly-qualified and experienced engineer as to the efficiency and feasiblity of the merger and the challenges which underlie the need for enhanced efficiency and treatment in both regions encompassed by the two Public Service Districts. Mr. Hazelwood is a graduate of two engineering schools, possesses a master's degree in his field of endeavor, and is a State licensed Professional Engineer. The Intervenors did not offer the testimony of a qualified engineer or relevant lay evidence of acceptable, achievable and cheaper alternatives for the Districts' water problems. The Petitioner, Monroe County Commission, has proven that the public interest is well served by the merger of Lindside Valley Public Service District into the Red Sulphur Public Service District.

Procedurally, it appears of record that this matter first came to the agenda of the Monroe County Commission on December 3, 1990. The matter was set for public hearing on January 7, 1991, and a Class II Legal Notice of said hearing was published commencing December 20, 1990, and properly posted. The matter came on for public hearing before the Monroe County Commission on January 7, 1991, and, due to the public response, was set for additional public hearing in Peterstown on January 28, 1991. A final decision of the County Commission was rendered at its regular meeting of February 4, 1991, and reduced to a formal Order accordingly. That Order and a request for review and approval was submitted to the Public Service Commission on February 18, 1991.

It, therefore, appears that the hearing by the County Commission was properly set for a time not less that twenty (20) days nor more than forty (40) days after its initial action on the request for merger, and was properly given public notice, as required by West Virginia Code §16-13A-2. Said hearing was properly convened, continued from time-to-time, and consummated by the County Commission and reduced to a decision and order. Although said Order was not filed for approval with the Public Service Commission within ten (10) days, as directed by the Code, said filing was substantially in compliance with the directorial language of the Code and the late filing is therefore deemed to be harmless. Canyon Public Service

wider-ranging general authority, under West Virginia Code §24-2-2 to regulate the practices of any public utility, notwithstanding any preexisting contractural rights in conflict with the Commission's mandate. Mountain State Water Company v. Town of Kingwood, 121 W.Va. 66, 1 S.E.2d 395 (1939). The Town's contract is, in many respects, a direct usurpation of the Monroe County Commission's direct statutory authority as well as the general regulatory power of the Public Service Commission.

The action of the Monroe County Commission in authorizing the merger of the Lindside Valley Public Service District and the Red Sulphur Public Service District was procedurally correct and is in the public interest, as determined by the appropriate public officials of that county, and, therefore, should be approved, in accordance with the requirements of West Virginia Code §16-13A-2.

FINDINGS OF FACT

1. On December 3, 1990, the Monroe County Commission accepted for its consideration the matter of the merger of the Lindside Valley Public Service District into the Red Sulphur Public Service District, and set a public hearing for January 7, 1991, which was published for public notice on December 20, 1990, and posted, as well. (See, Petition and Petitioner's Exhibit No. 9).

2. After a public hearing on January 7, 1991, which was convened and later continued until January 28, 1991, the Monroe County Commission voted to merge the two (2) Districts in question at its regular meeting of February 4, 1991, and an appropriate Order was entered by the County Commission. (See, Petition and Tr., pp. 92-93).

3. In accordance with the requirements of West Virginia Code §16-13A-2, said Order was submitted to the Public Service Commission for its review and approval, by correspondence received February 18, 1991. (See, Petition).

4. By letter received on February 15, 1991, Lawrence D. Munsey, Mayor, requested a public hearing to be held concerning this matter, and by Order entered March 29, 1991, the matter was set for hearing in Peterstown, on Monday, April 15, 1991, at 1:00 p.m., and publication was ordered as well. (See, correspondence and Order).

5. Mr. Hazelwood testified that both Districts reviewed the engineering reports and responded favorably to combining the projects into one and submitted requests to the Monroe County Commission to merge the two (2) Districts in order to provide both Districts with the needed water system. (Tr., pp. 25 & 26). Finalization and obligations of funding were completed in January 1991. The loan is to be a five percent loan to be paid back over thirty-eight (38) years. (Tr., p. 26).

6. Mr. Hazelwood testified that the expected rate per 1,000 gallons of water would be significantly less for the combined project as opposed to the rate for either project constructed separately. (Tr., p. 27).

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.

Susan A. Murensky

Susan A. Murensky
Administrative Law Judge

SAM:TNT:jas

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON
CASE NO. 90-110-PWD-PC
MONROE COUNTY COMMISSION
Petition for approval of merger of Red Sulphur Public Service District and Lindside Public Service District.

NOTICE OF HEARING

On February 4, 1991, the Monroe County Commission, a public corporation, Monroe County, adopted an order to merge Red Sulphur Public Service District and Lindside Public Service District as well as for the extension of the boundaries of the same, and that the new territory be known as the Red Sulphur Public Service District. The Red Sulphur Public Service District currently has a case pending before the Commission to upgrade its facility serve the Lindside area.

On February 18, 1991, the Public Service Commission received the Monroe County Commission's Order for review and approval. Pursuant to West Virginia Code §16-13A-2, the Public Service Commission is required to conduct a public hearing in Monroe County, prior to approving, rejecting or modifying the adopted Monroe County Commission Order.

A public hearing in this matter has been scheduled to be heard in the Council Chambers, 125 Thomas Street, Peterstown, Monroe County, on April 15, 1991, 1:00 p.m. At that hearing, the Public Service Commission shall receive statements and evidence for the purpose of determining if the Order of the Monroe County Commission to merge Red Sulphur Public Service District and Lindside Public Service District and enlarge the new district to be known as the Red Sulphur Public Service District is in the public interest.

MONROE COUNTY COMMISSION

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
PAULA A. BRIDGES
P.O. Box 417, Union 24983
My Commission Expires Dec. 5, 1994.

Total cost of advertisement

$.....11.25.....

Certificate Of Publication

STATE OF WEST VIRGINIA

COUNTY OF MONROE, S.S.:

I, H. H. Mohler, publisher of THE MONROE WATCHMAN, d

certify that the annexed advertisement of.....

.....Public Service Commission.....

.....

in the case (matter) of.....

..Red Sulphur Public Service Commission...

Vs. .....

...Case No. 90-110-PWD-PC.....

was published ...1 (one)....consecutive weeks in THE MONRO

WATCHMAN, a newspaper published at Union, Monroe County, We

Virginia, beginning the..11th..day of....April.....19...91

.....

Given under my hand this..15th..day of...April.....

19..91.....

H. H. Mohler
Publisher

Given under my hand this..15th.....day of....April....

19...91....

Paula A. Bridges
Notary Public

My commission expires on the..5th...day of...Dec.....

19...94...

AUG. 12, 1991

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 12th day of August, 1991.

CASE NO. 91-110-PWD-PC

MONROE COUNTY COMMISSION
Petition for approval of merger of Red Sulphur Public Service District and Lindside Valley Public Service District.

COMMISSION ORDER

On February 4, 1991, the Monroe County Commission, a public corporation, adopted an order to merge Red Sulphur District and Lindside Valley Public Service District and expand the boundaries of the same, with the new territory to be known as Red Sulphur Public Service District. On April 15, 1991, the mayor of Peterstown requested a hearing in Peterstown concerning the aforementioned merger.

On February 18, 1991, the Public Service Commission received the Monroe County Commission Order for review and approval pursuant to West Virginia Code §16-13a-2. Proper notice was given and a hearing was held on April 15, 1991. The Monroe County Commission and the two Public Service Districts were represented by Robert A. Irons, Esquire. The Staff was represented by Drexel M. Vealey, Esquire. Intervenor status was granted to Lawrence D. Munsey, Mayor of Peterstown, and Tad Jones. In a recommended decision entered on June 12, 1991, an Administrative Law Judge approved the order of the Monroe County Commission merging Lindside Valley Public Service District and the Red Sulphur Public Service District. Exceptions filed by Mayor Munsey were received on June 27, 1991.

DISCUSSION

The evidence has been presented in detail in the Administrative Law Judge's recommended decision and need not be repeated here. It establishes the need for a water system in the Lindside Valley Public Service District and the need for improvement of the existing water system in Red Sulphur Public Service District. It also indicates that need can be met better by a unified district than by two separate districts.

In his letter of exceptions Mayor Munsey maintained that the presentation of petitions signed by three hundred fifty-seven (357) persons opposing the merger of the two districts represented over thirty percent of their registered voters in Red Sulphur Public Service District and required that a vote must be called by the county commission before any further action was taken, citing Code §16-13a-2. He included a portion of this section with his exceptions.

Mayor Munsey's exception is incorrect on this point because §16-13a-2 was amended in 1986 and no longer contains the language on which he relies. The present statute does not require a referendum.

Mayor Munsey also referred to the contract in 1964 between the town of Peterstown and Red Sulphur Public Service District which transferred

operation and maintenance of the town's combined sewer and waterworks to the district. In that agreement Red Sulphur Public Service District agreed not to extend the system beyond the outside boundaries of the same as shown on the present plans without the consent of the Town of Peterstown unless required to do so by the Public Service Commission. His claim that this provision barred the merger in this case was adequately answered by the ALJ in the recommended decision. It should be emphasized, however, that this contract provision conflicts with the provisions of Code §16-13a-2, which provides that a district may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, set forth in that article, or conflicts with any provision of that article. It should also be added that the contract itself recognizes the power of the Public Service Commission to order additions to the Red Sulphur Public Service District system.

The Public Service Commission will not revise, modify or reverse an Administrative Law Judge's Decision unless the findings therein are arbitrary, unjust, contrary to the evidence or unsupported by the evidence, B&O Railroad v. Public Service Commission, 99 W.Va. 670, 130 S.E. 131 (1925); Weirton Ice and Coal Supply Company v. Public Service Commission, ___ W.Va. ___ 240 S.E.2d 686 (1977); Virginia Electric and Power Company, ___ W.Va. ___ 242 S.E.2d 698 (1978); or the decision is based on a mistake of law or a misapplication of legal principles, Preston County Light and Power Company v. Public Service Commission, 297 F.Supp. 759 (S.D. W.Va. 1969); Atlantic Greyhound Corporation v. PSC, 132 W.Va. 650, 54 S.E.2d 169 (1949); or the decision is contrary to Commission practice or policy, Mac's Wrecker Service, Inc., M.C. Case No. 3358 (1979); Washington Oil Company, Case No. 80-210-G-X, 68 ARPSCWV 1573 (1981). See Pauley, M.C. Case No. 21783-C (1984); Bartram, M.C. Case No. 21891 (1983).

Upon mature consideration of the matters raised by the exceptions, in review of the Administrative Law Judge's Decision and supporting record, we are of the opinion that the Administrative Law Judge's findings are supported by the record and the decision is rendered in accordance with the applicable law.

FINDINGS OF FACT

1. The Lindside area of Monroe County is currently without modern public water utility service and a significant number of private wells in the region are contaminated with coliform bacteria from septic tanks (Tr., p.21).

2. The Red Sulphur Public Service District has been notified by the State Department of Health that quality problems from its spring water source must be solved by establishing a full treatment system (Tr., pp.28-30).

3. The problems of both systems can best be solved by a unified Public Service District (Tr., pp.26-33).

CONCLUSION OF LAW

The recommended decision should be affirmed.

ORDER

IT IS THEREFORE ORDERED that the recommended decision of June 12, 1991 be and it hereby is affirmed as a final order of the Commission.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon all parties of interest by United States Certified Mail return receipt requested and upon the Commission Staff by hand delivery.

A True Copy, Teste:

Howard M. Cunningham
Executive Secretary

12/2/1991

IN THE COUNTY COMMISSION OF MONROE COUNTY, WEST VIRGINIA

IN RE: Powers of Red Sulphur Public Service District

On December 2, 1991, at a regularly scheduled meeting of the Monroe County Commission, at which time all County Commissioners were present, the said Commissioners did consider the matter of powers of Red Sulphur Public Service District, pursuant to a request for clarification of a prior order dated May 4, 1959, creating Red Sulphur Public Service Distict.

The undersigned Commissioners being asked to consider the matter of the authorized powers of Red Sulphur Public Service District, did review its records and files, and did determine that the aforesaid order does not clearly define the purposes for which the said public service district was created, as it purports to create a public service district with all lawful powers exercised by such districts, but also contains language which could conceiveably be construed as limiting the district to sewer services, and that some of the originial documentation pertaining to the creation of the public service district indicated it was to include providing water, and that the said district has operated as a water utility and has provided water to its customers for many years, and that all of the records and files within the control of the Monroe County Commission indicate that the intention of said Commission at the time of the creation of Red Sulphur Public Service District, was to create a public service district to provide both water and sewer, and that nothing in said files indicates that the said district is to be a sewer utility only, and upon a proper request for clarification of this point, it was

moved, seconded, and adopted by acclaimation that Section 3, of the previous order of the Monroe County Commission dated May 4, 1959 be amended to reflect the actual intent of the said commission at that time, as follows:

> Section 3: That the County Court of Monroe County, West Virginia has determined that the territory within said county, being all of Red Sulphur District, is so situated that the construction or acquisition by purchase or otherwise, and the maintenance, operation, improvement, and extension of properties supplying sewerage and water services within such territory by said public service district will be conductive to the preservation of public health comfort and convenience of such area.

Nothing further coming to the attention of the Commission at this time, concerning this matter, the Commission did move on to other business on its agenda.

Dated December 2, 1991.

Commissioner Wickline

Commissioner Wallace

Commissioner Sibold

F

Monroe County Commission
Regular Session
August 3, 2005

State of West Virginia:
County of Monroe:

At a regular meeting of the Monroe County Commission, called after notice and posting on the front door of the Courthouse of Monroe County, more than 48 hours prior to said meeting, being held on the 3rd day of August 2005 with President Dr. Craig Mohler, and Oliver Porterfield and Joyce Pritt, Associate Commissioners, present. Also present was Donald J. Evans, County Clerk.

Julia Light, Circuit Clerk:
Julia Light, Circuit Clerk, appeared before Commission requesting additional funding for her office. Ms. Light said that her budget was cut by 3% this year, as was all other county offices and she didn't have enough funding to pay for a second employee, which she desperately needed. Commissioners told Ms. Light that the audit from the State wouldn't be completed until September and the official carry-over wouldn't be determined until then. Commissioners said they would rather wait till then to commit to any additional funding to each office.

Country View Assisted Living
Lonzo Christian and Bobby Shires, representing Country View Assisted Living, appeared before Commissioners. Mr. Christian and Mr. Shires expressed concern over a state grant that was received to run a water line to their facility from a water tank to add additional pressure to operate their sprinkler system. The grant amount was $33,000.00. Mr. Christian said the grant called for a 10 inch line to be run from the tank to his facility. However, the Red Sulphur Public Service District installed an 8 inch line, and did not run the line all the way to his facility. Mr. Christian had to pay to run the line on to his building. Red Sulphur PSD Board members Robert Williams, Doc Sibold and John Porterfield, and Manager Porter Robertson attended this meeting as well as Bob Hazelwood from Pentrec, Inc, the engineer of the project. Mr. Hazelwood said when the grant application was submitted, the figures were merely estimates. After finding out how much pressure was needed for the sprinkler system, Hazelwood said an 8 inch line would be sufficient. In addition, Mr. Christian said the Red Sulphur PSD placed a man-hole in a position where he cannot use his adjoining land for development and ran the line through this property and he cannot develop it. Manager Porter Robertson said the man-hole can be removed but the line is a different story. Mr. Shires and Mr. Christian also expressed concern that if they had a fire at their facility and there was another fire close to their business or the Red Sulphur PSD hooked someone else onto the existing line, would there be enough pressure to operate their sprinkler system. Mr. Hazelwood said the facility would have adequate pressure. The County Commission said they would rely on

information from the engineer since he was qualified to make these decisions relating to the project. No further action taken.

Oz Mohler

Oz Mohler of Peterstown appeared before Commission. Mr. Mohler wanted to know why it was taking so long for the Red Sulphur PSD to get water and sewer to his home. Mr. Mohler said he had been told by employees of the Red Sulphur PSD on several occasions that water and sewer would be to his location soon, but Mr. Mohler said he was tired of being lied to. Representatives from the Red Sulphur PSD were on hand from a previous meeting and told Mr. Mohler that work should begin this fall and it was a 12 month contract.

Sheriff Bob Mann and Chief Deputy Galuszek

Sheriff Bob Mann and Chief Deputy Joe Galuszek appeared before Commission and presented Commissioners with a pay raise proposal for the deputy sheriffs. Deputy Galuszek said he is willing to give up $5,000.00 of his salary and give each of the five deputies a one thousand dollar raise. Sheriff Bob Mann approved this proposal. Commissioner Porterfield said if Deputy Galuszek was willing to give up a portion of his salary for a raise for the deputies, he would make a motion to approve this proposal as well. Commissioner Pritt second the motion. Vote was unanimous.

Shirley Hall

Shirley Hall, representing the Coalition for Children and Families asked permission to apply for a grant to have a new roof installed at her office. Commissioner Porterfield made a motion approving this request. Commissioner Pritt second the motion. Vote was unanimous. The Coalition for Children and Families building is owned by the county.

Oscar Keith Williams Estate

Rosetta Snedon, ex-wife of Oscar Keith Williams, appeared before Commission. Ms. Snedon had filed a claim against the estate of Oscar Keith Williams for a loan they shared while they were married, The executrix of Mr. Williams estate objected to the claim and the matter was referred to Debra Dalton, Fiduciary Commissioner, for a ruling. Ms. Dalton ruled that Ms. Snedon's claim was invalid because it was filed in the time frame given. Commissioner Porterfield made a motion to uphold Ms. Dalton's ruling. Commissioner Pritt second the motion. Vote was unanimous.

Red Sulphur Public Service District/ Robert Williams

Commissioner Porterfield made a motion to re-appoint Robert Williams as a board member of the Red Sulphur PSD. Commissioner Pritt second the motion. Vote was unanimous.

Service Process Fee

In accordance with recently passed legislation, Commission Porterfield made a motion to increase the service process fee from $20.00 to $25.00. Commissioner Pritt second the motion. Vote was unanimous.

Dog Catcher
Commissioners received two applications for the position of dog catcher. The applicants were Roger Galford and Calvin Long. After reviewing these applications thoroughly, Commissioner Porterfield made a motion to hire Roger Galford as the county dog catcher. Commissioner Pritt second the motion. Vote was unanimous. Commissioners instructed Mr. Galford to work no more than 20 hours per week and to communicate with the 911 Center for the dog call. Commissioners asked Galford to also work closely with the Animal League.

Court Security Grant Bids
The County Clerk advised Commissioners that he had placed the ad in the local newspaper soliciting bids for the security upgrade in the Circuit Courtroom. Bids will be due September 7, 2005 by 9:00 am. This project will be funded by a grant from the Court Security Grant Program.

Monroe Animal League
The Monroe County Animal League is to receive a grant from the Governor's Economic Assistance Grant Program. Commissioner Porterfield made a motion to accept the terms and conditions of a grant contract between the County Commission and the WV Development Office and further moved to authorize Dr. Craig Mohler, President of the Commission, to sign the contract on behalf of the Commission. Commissioner Pritt second the motion. Vote was unanimous.

Fire Marshall's Report
Commissioners reviewed the Fire Marshall's report for the Courthouse and the Magistrate's Office. Commissioner Mohler will respond to the Fire Marshall's office with a plan of action for the items noted to be corrected in this report

Audit Report
Commissioners reviewed the audit report compiled by the State Auditor's for fiscal year ending June 30, 2004.

Prevention Resource Officer Grant
Commissioner Porterfield made a motion authorizing Dr. Craig Mohler, President of the Commission to sign any and all paperwork in reference to the Prevention Resource Officer Grant the county is to receive. Commissioner Pritt second the motion. Vote was unanimous. This grant is for a Prevention Resource Officer at James Monroe High School.

Budget Digest Grants 2005-06
Commissioners reviewed a list of organizations that are to receive funding from the 2005-05 budget digest.

Planning Commission
Commissioner Mohler advised that Dave Clark from Cannan Valley Institute will be at the Commission's September meeting to discuss developing a planning commission.

Alice Bradley
Commissioner Pritt made a motion to accept the resignation of Alice Bradley, an employee in the Prosecuting Attorney's Office. Commissioner Porterfield second the motion. Vote was unanimous.

Tad Jones
Tad Jones from Peterstown appeared before Commission complaining that his real estate taxes were too high. Mr. Jones presented Commissioners with comparable properties, whose owners paid much less than he does. Commissioners advised Mr. Jones that the only time of the year they could deal with complaints of taxes being too high was during the Board of Equalization hearings held in February. Commissioners told Mr. Jones to come back then and they would review his complaint.

Prosecuting Attorney Renovations
Commissioner Porterfield made a motion to accept a bid from Bryant Builders in the amount of $7,800.00 to complete renovations in the Prosecuting Attorney's Office. Renovations will include removal of the old carpet and replace with new, removal of entry door and placement of new dividing wall, security door on new wall with security window and counter top, with a payment of $2,500.00 up front and the balance on completion of the project. Commissioner Pritt second the motion. Vote was unanimous.

Gap Mills Bar
Several residents from the Gap Mills area appeared before Commissioners concerning a rumor of a new bar opening in the Gap Mills area. Those in attendance were Mary Miller, Talma Clarkson, James Clarkson, Gerald Griffith, Rev. Jim Rogers, Carolyn Boggs, Michael Neel, Tommy Martin, Sam Martin, Josh Martin, Mildred Martin, Berry Wylie, Mae Hue Brown, Earl Ripley, Ella Ripley, Catherine Ridgeway, Violet Feury, Jean Meadows, Bonnie Galford, Barbara Young, Madeline Meadows. All these mentioned individuals were opposed to this bar opening in the Gap Mills area (in the former Mountaineer Food Store). These residents also presented Commissioners with petitions of individuals also opposing this bar. Leona Ratliff Roberts was also in attendance. Ms. Roberts said she was the one improving the building but she hadn't made up her mind if she would open a bar or another type of business. Ms. Ratliff said she had to provide for her three children, and presently operates a bar in Union. Commissioner Porterfield made a motion for the County Commission to oppose the opening of this bar. Commissioner Pritt second the motion. Vote was unanimous. The Commission reminded these residents that they didn't make the decision on whether to issue a license to open this bar. This decision will be made by the WV Alcohol Beverage Commission in Charleston, but the Commission would send a letter to the Commission opposing this opening.

Friends of Second Creek
Representatives from the "Friends of Second Creek" appeared before Commissioners providing them with an update of their activities. Jennifer Skaggs, representing the Streams Partners Program, was present and presented the Friends of Second Creek with a $5,000.00 grant to assist with their efforts in stream restoration. The Indian Creek

Watershed Association also received a grant to from the Streams Partnership Program in the same amount.

Herman Weiss Estate
Commissioner Porterfield made a motion to uphold a ruling made Fiduciary Commissioner Debra Dalton, in reference to the estate of Herman Weiss, and approve the final accounting of Mr. Weiss' estate as presented. Commissioner Pritt second the motion. Vote was unanimous. A copy of Ms. Dalton's ruling is placed in Mr. Weiss' estate file.

Prosecuting Attorney Rod Mohler
Prosecuting Attorney Rod Mohler appeared before Commissioners talking about supplemental pay for himself. Mr. Mohler said that he had received a grant for his assistant Prosecuting Attorney but she has since resigned. Mr. Mohler said the Prosecuting Attorney's Institute and the grantee of the grant said Mohler can receive the grant as additional compensation for himself. County Clerk Donnie Evans had contacted the State Auditor's Office and they advised that since he was an elected official, he could not accept any additional compensation. Mr. Mohler said he has asked for an opinion from the WV Ethics Commission and expects and answer tomorrow. Commissioners took no further action on this matter.

Flood Damage
Commissioners reviewed a letter from Joe Martin, Chief of Staff for Governor Joe Manchin, concerning flood damage caused to four privately owned bridges in the county. Mr. Martin said the Governor's Office would try to find funding for these bridges but it was going to be difficult due to they were not public property. Mr. Martin suggested the owners of these bridges contact their legislators and request a budget digest grant for the repairs.

Spruce Run Water Project
The County Clerk advised that the Spruce Run Water Project Grant has been submitted for consideration to Governor Manchin's Office.

Homeland Security Grant Funds
The County Clerk advised Commissioners that the County still hasn't received their reimbursement from the State for items purchased under the Homeland Security Grant.

John Porterfield/ Red Sulphur PSD
Commissioner Pritt made a motion to re-appoint John Porterfield to the Red Sulphur PSD Board of Directors effective today. Commissioner Mohler second motion. Motion carried 2-0. Commissioner Porterfield abstained since he is a brother to John Porterfield.

Estates Approved
Estate of Wade Herman Weiss by Thomas Weiss
Estate of Johnny Lee Craig by Barbara B. Craig
Estate of Frank L. Ritchie by Frank B. Lloyd

Estate of Dennis David Crosier by Harold Crosier
Estate of Lillie Mae Gadd by John Paul Gadd
Estate of Anna Hall Ballengee by Larry M. Hall
Estate of Anna Mae Jones by Dreama Coleman
Estate of Virginia Nell Lane by Sandra S. Via
Estate of Robert Kester Riner by Ruth Riner
Estate of Virginia Alice Caldwell by Linda M. Wilson

Exonerations Approved
Jeff and Debra Neel
James L. Canterbury
Jason Dean
Chadwick A. Peters
Gina Honaker
Orville Muska
David W. Smith
James W. Wickline
James Edward Mount

Vacation Order
It is ORDERED that all orders and proceedings had before the Clerk of the Monroe County Commission for the month of July 2005 be approved and confirmed.

Adjournment Order
Commissioner Pritt made a motion to adjourn at 4:30 pm. Commissioner Mohler second the motion. Vote was unanimous. It is ORDERED that the court be the same is hereby adjourned until regular session on September 7, 2005.

Dr. Craig Mohler, President

Monroe County Commission
Regular Session
October 1, 2001

State of West Virginia:
County of Monroe:

At a regular meeting of the Monroe County Commission called after notice and posting on the front door of the Courthouse of Monroe County, more than 48 hours prior to said meeting, being held on the 1st day of October 2001 at 9:00 a.m. with Oliver Porterfield, President, Dr. Craig Mohler and Franklin Campbell, Associate Commissioners, present. Also present was Donald J. Evans, County Clerk.

Brandon Mitchell
Clara Mitchell appeared before the Commission requesting that Valerie Comi be appointed as guardian for her minor son, Brandon Mitchell, age 15. Ms. Mitchell advised Commissioners that they lived in Summers County and her son Brandon wanted to live with her best friend, Valerie Comi, who resides in Monroe County. Commissioner Mohler made a motion to appoint Valarie Comi as guardian for Brandon Mitchell. Commissioner Campbell second the motion. Vote was unanimous. Brandon will attend James Monroe High School.

Sheriff's Deputies
Commissioners met with Sheriff Gerald Bland and all his deputies concerning the number of police cruisers that have been totaled in the last two or three months. Commissioners recently received a letter from William Guy, insurance agent for WV Board of Risk, the County's insurance carrier. Mr. Guy stated that "if the frequency of accidents of accidents continues, the County Commission is looking at a phenomenal increase in insurance premiums". Commissioners said they have had reports of deputies traveling at a high rate of speed. Sheriff Bland said they when they receive a call, they will get to the scene as soon as possible. Commissioners asked the deputies to drive responsible and to be careful, and asked the Sheriff to develop a policy in reference to deputies operating a police cruiser.

Rural Mountain Alliance
Reed VanDenberg, Marti Marshall and Judy Azualy appeared before the Commission providing an update of the Rural Mountain Alliance, formerly RUMCAB.

Lindside Sewer Project Funds
Commissioners recently advertised for interest bids on funds they have on deposit with BB&T. These funds are designated for the Lindside Sewer Project and total $1,039,000.00. Interest bids were received from the Bank of Monroe, First National Bank of Petestown and BB&T. The Bank of Greenville declined to place a bid. The Bank of Monroe's bid was 2.75% for the total of funds, First National Bank of Peterstown's bid

was 2.5% on $250,000.00, and BB&T's bid was Fed Funds target rate minus 15 basis points on the total of funds. Commissioner Campbell made a motion to deposit $250,000.00 with the First National Bank of Peterstown and the balance with the Bank of Monroe, with the stipulation that each bank pledges security for these funds. Commissioner Campbell second the motion. Vote was unanimous.

Gap Mills Post Office

At the request of Stephen Capaldo, Commissioner Campbell made a motion to adopt a resolution requesting that a plaque be placed in the Gap Mills Post Office dedicating the building in honor of Andrew S. Rowan. Commissioner Mohler second the motion. Vote was unanimous. Capaldo is working with Senator Rockefeller, Congressman Rahall and the US Postal Service on this project.

Lawrence Bradley

Commissioners reviewed a letter from the Monroe County Health Department concerning a trailer park owned by Lawrence Bradley, located near Peterstown. The Health Department advised Commissioners that the Health Department voted not to renew Mr. Bradley's trailer park permit, which expired September 30, 2001. Commissioner Mohler spoke with Sue Rosshirt from Greenbrier Housing Authority by phone this day. Ms. Rosshirt advised that the Housing Authority can provide housing vouchers to those individuals who live in this trailer park. Commissioners will speak with Prosecuting Attorney Rod Mohler to discuss this matter further.

Cellular Telephone Towers

Commissioner Mohler made motion stating that any new construction of a cellular phone tower or communication related tower, or any variance to an existing tower in Monroe County, must be approved by the County Commission. Commissioner Campbell second the motion. Vote was unanimous.

Stephen Capaldo

Commissioners reviewed a request from Stephen Capaldo asking the County Commission for $250.00 to go toward the purchase of a roadside marker. This roadside marker will have "Gap Mills" on one side and "William Jackson Humphreys" on the other side. The total cost is $1500.00. Capaldo received a grant from the State of West Virginia in the amount of $750.00. Commissioner Mohler made a motion to deny this request due to present budget restraints. Commissioner Campbell second the motion. Vote was unanimous. Commissioners appreciates all the work mr. Capaldo has done on this project.

Dennis Sibold/Red Sulphur Public Service District

Commissioner Campbell made a motion to re-appoint Dennis Sibold to the Board of Directors of the Red Sulphur Public Service District. Commissioner Mohler second the motion. Vote was unanimous. Commissioners asked the County Clerk to send Sibold a letter advising him that the Commission expects his cooperation on this board with other members.

Dorothy Richardson Estate

Commissioners discussed the Dorothy Richardson estate with Prosecuting Attorney Rod Mohler. A few months ago, the final settlement of Ms. Richardson was presented to the County Commission for approval. Commissioners did not approve this accounting until they consult with the Ethics Commission and inquire if the Sheriff can accept a fee for serving as an executor of an estate. Commissioners discussed this matter further on this day with Prosecuting Attorney Rod Mohler. Mohler will seek an opinion from Judge Irons and report back to the Commission.

Sheriff's Office Renovations

The County Clerk notified Commissioners that the renovations have been completed by Duane Miller Construction Services. The floor and ceiling were replaced and funding was provided through a grant from the State of West Virginia.

Division of Labor

County Clerk Donnie Evans advised Commissioners that he had spoken with Bob Allen, the Commission's attorney representing them in a lawsuit with the WV Division of Labor. Evans asked Allen if the County should proceed with this lawsuit or settle the matter. Allen said he would review the matter and get back with Evans.

Magistrate Office/Elizabeth Kountz

Elizabeth Kountz, Magistrate Court Clerk appeared before Commission requesting an air conditioner for the Magistrate Office. Kountz said the present air conditioner no longer works and is about 20 years old. Commissioner Mohler made a motion to approve this request. Commissioner Campbell second the motion. Vote was unanimous.

Red Sulphur Public Service District

Commissioner Campbell made a motion to authorizing the Red Sulphur Public Service District to extend their lines into Summers County, if necessary. Commissioner Mohler second the motion. Vote was unanimous.

Magistrate Office

Arthur Angus, Security Officer from the WV Supreme Court of Appeals recently advised Commissioner that "half doors" needed to be installed at the Magistrate Office. This would allow the bottom half of the door to remain closed and the top half to remain open. This measure would prohibit citizens from entering the office, but employees could still talk to these individuals. Magistrate Clerk Elizabeth Kountz told Commissioners on this day that they didn't want these doors installed. The County Clerk will speak to Mr. Angus and discuss this matter further.

Sinks Grove Property

Commissioners discussed the possibility of selling property in Sinks Grove that the County owns. Commissioners asked the County Clerk to send a letter to all registered voters in the Sinks Grove precinct and notify them that they will hold a public hearing on

this matter before making a final decision to sell the property. This hearing will be held on October 24, 2001 at 7:00 p.m. at the Courthouse. A notice will also be placed in the local newspaper notifying the public of this hearing.

Peterstown Bridge
The County Clerk said Danny Evans from the Department of Highways recently called the District Office to check the status of replacing the Peterstown Bridge. Evans said there was no new discussion on the matter.

Police Cruisers
Deputy Joe Galuszek notified Commissioners that the new police cruisers will arrive this Wednesday.

Lindside Sewer Project
Commissioner Mohler made a motion to approve drawdown #5 for the Lindside Sewer Project in the amount of $16,300.00 payable to Pentree Inc. for engineering services for the Lindside Sewer Project. Commissioner Campbell second the motion. Vote was unanimous.

Bicentennial Seal
Commissioner Campbell made a motion authorizing the County Tourism Bureau to use the County's Bicentennial Seal. Commissioner Mohler second the motion. Vote was unanimous.

County Bills
Commissioner Mohler made a motion authorizing the County Clerk to pay all of the County's delinquent bills, excluding Regional Jail bills, but further authorized him to pay the January Regional bill. Commissioner Campbell second the motion. Vote was unanimous.

Raymond Daugherty Estate
Commissioners reviewed an opinion from H.L. Sarver, Jr., fiduciary commissioner, in reference to the Raymond Daugherty estate. William Daugherty, son of Raymond Daugherty, objected to the final settlement of Raymond Daugherty. The County Commission referred the estate to Mr. Sarver. Mr. Sarver stated that he has reviewed the estate file and spoke with Betty Daugherty, executrix of the Raymond Daugherty estate. Mr. Sarver felt that in his opinion, Ms. Daugherty has done all that is required in the settlement of this estate. Based on Mr. Sarver's opinion, Commissioner Mohler made a motion to approve the final settlement of Raymond Daugherty. Commissioner Campbell second the motion. Vote was unanimous.

Excerations approved

Verner Riffe	Emogene Allen	First Union National Bank
Marshall Vanscoy	Tasha Miller	Dewey Ashley
Tasha Miller	Dewey Ashley	Coy Burns

558

Donald J Evans
MONROE County 11:03:57 AM
Instrument No 57885
Date Recorded 03/31/2010
Document Type OATH
Book-Page 2-558

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA,
COUNTY OF MONROE, TO WIT:

I 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 RED SULPHUR PUBLIC SERVICE DISTRICT BOARD OF DIRECTORS ***to the best of my skill and judgment SO HELP ME GOD.***

JERRY L. PITZER

Subscribed and sworn before me, in said County and State, this 3RD ***day of*** FEBRUARY ***, 2010.***

My Commission expires: JANUARY 6, 2013

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
Donald J. Evans
Monroe County Clerk
P. O. Box 850
Union, WV 24983
My commission expires Jan. 6, 2013

NOTARY PUBLIC

STATE OF WEST VIRGINIA
COUNTY OF MONROE, TO WIT:
I, DONALD J. EVANS, Clerk of the County Commission of Monroe County, do hereby certify that the foregoing and hereto annexed writing to a true copy of a Oath as found of record at the office in Oath Book No. 2 at Page No. 558
Given under my hand and seal of said commission this 16th day of March 2011
CLERK
MONROE COUNTY COMMISSION
BY Jerry Mendoza Deputy

COUNTY COMMISSION MONROE COUNTY

MONROE COUNTY COMMISSION
OATH Clerk 14
Date/Time: 08/15/2005 14:1-
Inst #: 29578
Book/Page: 2- / 457-
Recd/Tax: .00 .00

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA,
COUNTY OF MONROE, TO WIT:

I 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 R&D Sulphur PSD Board Member *to the best of my skill and judgment SO HELP ME GOD.*

Robert M Williams

Subscribed and sworn before me, in said County and State, this 15 *day of* August, 20 05.

My Commission expires: September 13, 2012

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
JULIA L. LIGHT
HC 77 BOX 264
BALLARD, WV 24918-9618
My commission expires September 13, 2012

Julia L Light
NOTARY PUBLIC

MONROE COUNTY COMMISSION
OATH Clerk 14
Date/Time: 08/05/2005 11:18
Inst #: 2403
Book/Page: 2- / 456-
Recd/Tax: .00 .00

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA,
COUNTY OF MONROE, TO WIT:

I 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 Board Member, Red Sulphur Public Service Dist *to the best of my skill and judgment SO HELP ME GOD.*

Subscribed and sworn before me, in said County and State, this 3Rd *day of* August, *2005.*

My Commission expires: JANUARY 31, 2012

Connie Thomas
NOTARY PUBLIC

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
CONNIE THOMAS
MONROE COUNTY COMMISSION
P. O. BOX 350
UNION, WV 24983
My commission expires January 31, 2012

Expired
Sept, 2011

RULES OF PROCEDURE

RED SULPHUR PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: RED SULPHUR PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Rt. 219, 200 Market Street, Peterstown, Monroe County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Red Sulphur 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 Monroe 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 third Tuesday 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 Monroe 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 Monroe 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

or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

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

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

Adopted this 9th day of July, 2002.

07/03/02
742910.99001

LAW OFFICES
WILLIAM S. WINFREY, II.
W. Va. State Bar 4093
1608 West Main Street
Post Office Box 1159
Princeton, West Virginia 24740
bill@winfreylaw.com

Telephone: (304)487-1887 Facsimile: (304)425-7340

April 29, 2010 File No. 05-199

RECEIVED
2010 APR 29 AM 8 48
W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

VIA FACSIMILE AND U.S. MAIL

Sandra Squire, Director
Executive Secretary Division
WV Public Service Commission
P. O. Box 812
Charleston, WV 25323

RE: Red Sulphur Public Service District
Greenville-Wikel Water Project
Application for a Certificate of Convenience and Necessity
Case No. 10-0371-PWD-CN

Dear Mrs. Squire:

Enclosed for filing you will find thirteen (13) copies of the Certificate of Publication from *The Monroe Watchman* evidencing publication of the Notice of Filing on April 8, 2010, with regard to the above-referenced Project.

Yours very truly,

William S. Winfrey, II
WVSB #4093

WSW,II/saw
Enclosures
cc: Red Sulphur Public Service District (w/enc.)
Region I Planning and Development Council (w/enc.)
Pentree, Incorporated (w/enc.)

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered by the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA, in the City of Charleston, on the 19th day of March 2010.

CASE NO. 10-0371-PWD-CN

RED SULPHUR PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to (a) construct water system extension to the Wikel and Greenville areas, etc., and (b) construct upgrades to the District's existing water system facilities including, but not limited to, the Route 219 water booster station, radio telemetry system, and GIS system at Peterstown.

NOTICE OF FILING

On March 19, 2010, the Red Sulphur Public Service District (District) filed an application, duly verified, for a Certificate to construct a water system improvement at Peterstown in the County of Monroe, West Virginia (known as the "Greenville-Wikel Water Project"). The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

The District estimates that construction will cost approximately $4,200,000.00. It is proposed that the construction will be financed as follows:

USDA Loan	$ 600,000.00
USDA Grant	$1,400,000.00
SCBG	$1,500,000.00
WVUDC Grant	$ 700,000.00

There are no resale customers.

The utility anticipates charging the following water rates for its customers:

APPLICABILITY
Applicable within entire territory served.

AVAILABILITY OF SERVICE
Available for general domestic, commercial and industrial water service.

RATES (Customers with metered water supply)

First	3,000 gallons used per month	$9.70 per 1,000 gallons
Next	4,000 gallons used per month	$9.03 per 1,000 gallons
Next	95,000 gallons used per month	$8.18 per 1,000 gallons
All over	102,000 gallons used per month	$7.49 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than	$ 29.10 per month
5/8 X 3/4 inch meter	$ 29.10 per month
¾ inch meter	$ 43.65 per month
1 inch meter	$ 72.75 per month
1 1/2 inch meter	$ 145.50 per month
2 inch meter	$ 232.80 per month
3 inch meter	$ 436.55 per month
4 inch meter	$ 727.55 per month
6 inch meter	$1,455.10 per month

DELAYED PAYMENT PENALTY
The above tariff is net. On all current usage billings not paid within twenty (20) days, 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.

TAP FEE
Prior to Construction - $100.00
The following charge is to be made whenever the utility installs a new tap to serve an applicant. A tap fee of $300.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

RECONNECTION
$50.00
To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills, or fraudulent use of water.

RETURNED CHECK CHARGE
If a check received is returned by the bank for any reason, the bank's charge to Red Sulphur Public Service District shall be the District's charge to the customer for such a bad check, but such charge to customers shall not exceed $25.00.

LEAK ADJUSTMENT
$1.20 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

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

Pursuant to W. Va. Code §24-2-11, IT IS ORDERED that the Red Sulphur Public Service District give notice of the filing of said application, by publishing a copy of this order once in a qualified newspaper as provided in W. Va. Code §59-3-1 et seq, published and of general circulation in Monroe 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 case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or intervention. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and interventions should be addressed to Sandra Squire, Executive Secretary, P. O. Box 812, Charleston, West Virginia 25323.

IT IS FURTHER ORDERED that if there is no substantial protest to the Application received within said thirty 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

SS/cg
100371s.wpd

apr8-1w

Certificate Of Publication

STATE OF WEST VIRGINIA

COUNTY OF MONROE, S.S.:

I, Dale P. Mohler, publisher of THE MONROE WATCHMAN, do certify that the annexed advertisement of "Notice of PSC Application and Filing"

in the case (matter) of 10-0371-PWD-CN Red Sulphur Public Service District

vs. .....

was published One (1) consecutive weeks in THE MONROE WATCHMAN, a newspaper published at Union, Monroe County, West Virginia, beginning the 8th day of April 2010

Given under my hand this 15th day of April 2010.

Dale P Mohler

Publisher

Given under my hand this 15th day of April 2010.

Notary Public

My commission expires on the 8th day of Jan 2014.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
DALE P. MOHLER
THE MONROE WATCHMAN
P.O. BOX 189
UNION, WV 24983

RECEIVED
2010 APR 29 AM 8:48
PUBLIC SERVICE COMMISSION
W.V. OFFICE

SPECIAL MEETING JANUARY 14, 2011 AT 2:00 PM.
PURPOSE OF MEETING WAS TO AMEND MINUTES FROM SPECIAL MEETING JANUARY 6, AND TO APPOINT OFFICERS FOR THE NEW YEAR. SECOND PURPOSE WAS TO REVIEW AUDIT

First order of business was to appoint officers for the year. Nominations are as follows:

Motion by Jerry Pitzer to appoint John S. Porterfield as Chairman
Second: Bob Williams, motion was unanimous

Motion by Bob Williams to appoint Jerry L. Pitzer as Secretary/Treasurer
Second: John Porterfield, motion was unanimous.

From special meeting on January 6th: John Porterfield called meeting to order with all members present to amend minutes to show acceptance of bids for contract 1 & 2 as follows:

Also present: Porter Robertson, Ceresia Williams, Sue Waugh and Imre Pentek, CPA

Motion by Bob Williams to accept bid from WV Pipeline, Contract # 1 in the amount of $3,085,355.00 Second by Jerry Pitzer, unanimous by board.

Motion by Bob Williams, to accept bid from Mid Atlantic Storage Systems, Inc. in the amount of $322,000.00 for Wikel Water Storage Tank. Second by Jerry Pitzer unanimous by board.

Imre Pentek, CPA attended this meeting to discuss audit findings with the board as follows: First issue was the employment of John Shufflebarger. Imre's main concern is the IRS and the tax liability the district could face if an audit by the IRS was ever done. There still remains the issue of the workers comp insurance. Imre discussed segregation of duties in the office and stated it would take at least 4 office workers to segregate as it should be done but he did feel that the current office staff did segregate duties to an extent. Imre felt that more training in AccuFund would be a plus for current staff. Imre felt that financially the district was holding it's own but he did state that employees insurance cost needed to be addressed.

With no other business a motion to adjourn was made by Bob Williams, second by Jerry Pitzer, unanimous by board. Meeting was adjourned at 3:05 P.M.

CHAIRMAN

SECRETARY

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

EXCERPT OF MINUTES ON ADOPTION OF BOND RESOLUTION

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

*** *** ***

Red Sulphur Public Service District met in regular session, pursuant to notice duly posted, on the 15th day of March, 2011, in Peterstown, West Virginia, at the hour of 4:00 p.m.

PRESENT: John Porterfield, Chairman
Robert Williams
Jerry Pitzer
Alesia Williams
Richard Lewis, Steptoe & Johnson PLLC
Katy Mallory, Steptoe & Johnson PLLC
Teresa Miller, USDA
Bob Hazelwood, Pentree, Inc.
John Tuggle, Pentree, Inc.
Bill Winfrey, Esquire

John Porterfield, Chairman, presided, and Jerry Pitzer, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

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

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE WATER PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $600,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2011 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND

PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

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

*** *** ***

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

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Red Sulphur 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 17th day of March, 2011.

Secretary

02.24.11
742910.00006

5700433

WV MUNICIPAL BOND COMMISSION
1207 Quarrier Street
Suite 401
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 17-Mar-11

ISSUE: Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

ADDRESS: PO Box 697, Peterstown, WV 24963 COUNTY: Monroe

PURPOSE OF ISSUE:
New Money: x
Refunding:

REFUNDS ISSUE(S) DATED: NA

ISSUE DATE: 17-Mar-11 CLOSING DATE: 17-Mar-11

ISSUE AMOUNT: $600,000 RATE: 3.375%

1ST DEBT SERVICE DUE: NA 1ST PRINCIPAL DUE NA

1ST DEBT SERVICE AMOUNT NA PAYING AGENT: Issuer

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

UNDERWRITERS COUNSEL
Firm:
Contact:
Phone:

CLOSING BANK:
Bank:
Contact:
Phone:

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: John S. Porterfield
Position: Chairman
Phone: 304.753.4003

OTHER:
Agency: United States Department of Agriculture
Contact: Teresa Miller
Position: Rural Developoment Specialist
Phone: 304.253.9597

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

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: ____ Wire ____ To Escrow Trustee $
____ Check ____ To Issuer $
____ IGT ____ 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 2011 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

815 QUARRIER STREET, SUITE 418 CHARLESTON, WEST VIRGINIA 25301-2616
TELEPHONE 304-558-2981

PERMIT

PROJECT: (Water Well) Coulter's Chapel Water Treatment Plant New Water Well PERMIT NO.: 15,086

LOCATION: Coulter's Chapel COUNTY: Monroe DATE: 11-27-2001

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

Red Sulphur Public Service District
Post Office Box 697
Peterstown, West Virginia 24963

is hereby granted approval to: install one (1) new water well, which is to be constructed according to the WV Bureau for Public Health's "Public Water System Design Standards, 64CSR77," with particular attention to Section 5.3.e.9., Grouting Requirements. Well construction is to be performed by a WV Certified Water Well Contractor. The well water shall be tested for any organic, inorganic, microbiologic and radiologic contaminants, as required by the WV Bureau for Public Health's "Public Water Systems" regulations. Chlorination (with a minimum 30-minute contact time) will be required. Additional treatment may be required, depending on the chemical analyses.

Facilities will provide additional raw water to the Coulter's Chapel water treatment plant.

NOTE: The **Source Water Protection Unit of the Office of Environmental Health Services (phone 304-558-6746)** is to be notified, **at least 24 hours**, before the start of grout placement. The well log, all yield, drawdown test results and a 2,000' radius potential contamination source survey (see pages 12-14 in pamphlet **"WV Wellhead Protection Program"** for recording potential sources of contamination) shall be submitted to the **Source Water Protection Unit, Environmental Engineering Division, Office of Environmental Health Services, WV Bureau for Public Health, 815 Quarrier Street, Suite 418, Charleston, WV 25301.**

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:cmh
Attachment
pc: Pentree, Inc.
James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, Public Service Commission
Monroe County Health Department
OEHS-EED Beckley District Office
Source Water Protection Unit

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

815 QUARRIER STREET, SUITE 418 CHARLESTON, WEST VIRGINIA 25301-2616
TELEPHONE 304-558-2981

PERMIT

PROJECT: (Water) Water System Upgrades & Extensions and New 116,000 Gallon Water Storage Tank

PERMIT NO.: 15,085

LOCATION: Bozoo, Cashmere, Lindside and Rock Camp

COUNTY: Monroe

DATE: 11-27-2001

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

Red Sulphur Public Service District
Post Office Box 697
Petersburg, West Virginia 24963

is hereby granted approval to: install approximately 24,000 LF of 8", 65,500 LF of 6", 1,700 LF of 4" and 7,950 LF of 2" water line; construct at Bozoo a new 150 G.P.M. duplex finished water booster station; install at Bozoo one (1) 116,000 gallon water storage tank; construct a new 600 G.P.M. new raw water intake structure and duplex raw water pump station on Rich Creek (Latitude 37° 23' 44" - Longitude 80°46' 46") that will provide raw water to the Peterstown water treatment plant; approximately 7,600 LF of 8" (Rich Creek to Peterstown water treatment plant) and 7,800 LF of 4" (Cook's Run new water well to Coulter's Chapel water treatment plant) of raw water line; upgrade the existing Peterstown water treatment plant by improving the solids removal capacity of the existing settling basin and adding tubidimeters; adding remote residual chlorine analyzers at the existing Peterstown water storage tanks; and all necessary valves, controls and appurtenances.

Facilities are to serve approximately 268 new customers in the Bozoo, Cashmere, Lindside and Rock Camp areas in the Red Sulphur Public Service District.

NOTE: **This permit is contingent upon: 1) All new water lines and the water storage tank being disinfected, flushed and bacteriologically tested, prior to use; and 2) Maintaining a minimum ten (10) feet horizontal separation between sewer and water lines and a minimum eighteen (18) inches vertical separation between crossing sewer and water lines, with the water line above the sewer line.**

The Environmental Engineering Division of the Beckley District Office (304-256-6666) 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:cmh
pc: Pentree, Inc.
James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, Public Service Commission
Monroe County Health Department
OEHS-EED Beckley District Office

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

815 QUARRIER STREET, SUITE 418 CHARLESTON, WEST VIRGINIA 25301-2616
TELEPHONE 304-558-2981

PERMIT

PROJECT: (Water) Water System Upgrades & Extensions and New 206,000 Gallon Water Storage Tank

PERMIT NO.: 14,807

LOCATION: Orchard, Dry Pond and Pine Grove

COUNTY: Monroe

DATE: 3-22-2001

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

Red Sulphur Public Service District
Post Office Box 697
Petersburg, West Virginia 24963

is hereby granted approval to: install approximately 9,600 LF of 10", 27,870 LF of 8", 19,550 LF of 6", 1,425 LF of 4" and 1,625 LF of 2" water line; upgrade the existing Mill Hill water booster station to a duplex 240 G.P.M. station; install one (1) 206,000 gallon water storage tank; abandon the existing Cashmere elevated tank; and all necessary valves, controls and appurtenances.

Facilities are to serve approximately 208 new customers in the Orchard, Dry Pond and Pine Grove areas in the Red Sulphur Public Service District.

NOTE: **This permit is contingent upon: 1) All new water lines and the water storage tank being disinfected, flushed and bacteriologically tested, prior to use; and 2) Maintaining a minimum ten (10) feet horizontal separation between sewer and water lines and a minimum eighteen (18) inches vertical separation between crossing sewer and water lines, with the water line above the sewer line.**

The Environmental Engineering Division of the Beckley District Office (304-256-6666) 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

Arnold R. Keaton

For William S. Herold, Jr., P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

WSH:cmh
pc: Pentree, Inc.
James W. Ellars, P.E., PSC-Engineering Division
Monroe County Health Department
OEHS-EED Beckley District Office

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

815 QUARRIER STREET, SUITE 418 CHARLESTON, WEST VIRGINIA 25301-2616
TELEPHONE 304-558-2981

PERMIT

(Water)
PROJECT: Ballard Water System PERMIT NO.: 13,200

LOCATION: Ballard COUNTY: Monroe DATE: 3-24-97

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

Red Sulphur Public Service District
P.O. Box 697
Peterstown, West Virginia 24963

is hereby granted approval to: install approximately 2,500 LF of 2", 100 LF of 6", and 14,000 LF of 8" water mains; upgrade the existing Ballard duplex water booster station to a 80 GPM station; one (1) 96,000 gallon water storage tank; and all necessary valves, controls, and appurtenances.

Facilities are being installed to upgrade the Ballard Water System serving 185 existing customers.

NOTE: This permit is contingent upon: 1) All new water mains being disinfected, flushed and bacteriologically tested, prior to use; and 2) Maintaining a minimum ten (10) feet horizontal separation between sewer and water lines and a minimum eighteen (18) inches vertical separation between crossing sewer and water lines with the water line above the sewer line.

The Environmental Engineering Division of the Beckley District Office (304-256-6666) 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 Director
Environmental Engineering Division

WSH:cmh
pc: Pentree, Inc.
Amy Swann, PSC-Water & Wastewater Division
Monroe County Health Department
OEHS-EED Beckley 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 **Red Sulphur 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 **Red Sulphur Public Service District**

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

WHEREAS, it is necessary for the **Red Sulphur 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

SIX HUNDRED THOUSAND AND XX / 100 DOLLARS ($600,000.00)

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 insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility 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 **$ 1,400,000.00**

    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 **Red Sulphur Public Service District** has duly adopted this resolution and caused it to be executed by the officers below in duplicate on this 5th day of May, 2009

Red Sulphur Public Service District

By Dennis Sibold
Dennis Sibold

Title **Chairman**

(SEAL)

Attest: Robert M. Williams, Sr.
Robert M. Williams, Sr.

Title Secretary

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Secretary of the **Red Sulphur Public Service District**

hereby certify that the **Board of Directors** of such Association is composed of

3 members, of whom 3 constituting a quorum, were present at a meeting thereof duly called and

held on the 5th day of May, 2009; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of March 17, 2011,

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 17th day of March, 2011

Jerry L. Pitzer

Title Secretary

WATER OR WASTE SYSTEM GRANT AGREEMENT

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL UTILITIES SERVICE

THIS AGREEMENT dated May 5, 2009 between

Red Sulphur Public Service District

a public corporation organized and operating under

Chapter 16 Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:
WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of **$ 4,200,000** and has duly authorized the undertaking of such project.

Grantee is able to finance not more than **$ 2,800,000** of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of **$ 2,800,000** has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed **$ 1,400,000** or **33.33%** percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

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

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed **33.33%** percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, ~~whether for one or more classes~~ *as approved by the West Virgina Public Service Commission, ~~of service adopted by resolution dated xxxxxxxxxxxxxxxxxxxxxxxxx~~ as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

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

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

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

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

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

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

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

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

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

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

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.
[Revision 1, 04/17/1998]

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

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

All real property associated with the Red Sulphur PSD's water system.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. A Grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.
[Revision 1, 04/17/1998]

1. Use of equipment.

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

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

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

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than $5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of $5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

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

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

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

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

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

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

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

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

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

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

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

N/A

M. Provide Financial Management Systems which will include:

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

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

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

4. Accounting records supported by source documentation.

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

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

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

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

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

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

T. To include in all contracts in excess of $100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:
[Revision 1. 11/20/1997]

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

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/97]

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

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

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed **$1,400,000.00**. which it will advance to Grantee to meet not to exceed **33.33%** percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

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

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

Termination of This Agreement

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

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

and attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By: Robert M. Williams Sr.
Robert M. Williams, Sr.

(Title) Secretary

By: Dennis Sibold
Dennis Sibold

(Title) **Chairman**

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: Teresa A. Miller
TERESA A. MILLER

Rural Development Specialist
(Title)

WEST VIRGINIA
Infrastructure & Jobs Development Council

Gov. Earl Ray Tomblin
Chairman

Kenneth Lowe, Jr.
Public Member

David "Bones" McComas
Public Member

Ron Justice
Public Member

Louis R. Spatafore
Public Member

Joseph Freeland
Public Member

James W. Ellars, P.E.
Executive Director

Barbara J. Pauley
Administrative Secretary

February 3, 2011

Robert M. Williams, Sr., Chairman
Red Sulphur Public Service District
P.O. Box 697
Peterstown, WV 24963

Re: Red Sulphur Public Service District
Water Project 2001W-583
Revised Binding Commitment (Bid Overrun)
(Action Required by February 28, 2011)

Dear Mr. Williams:

At its February 2, 2011 meeting, the West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) voted to approve that the Red Sulphur Public Service District (District) receive a revised binding commitment for an $894,500 Infrastructure Fund grant and utilize a $1,500,000 Small Cities Block grant, a $1,415,500 Rural Utilities Service grant and a $600,000 Rural Utilities Service loan. Total project cost is $4,410,000. This project will provide service to 157 potential customers in the Greenville and Wikel areas of Monroe County. The Infrastructure Fund loan will be subject to the terms set forth on Schedule A attached hereto and incorporated herein by reference.

If the District has any questions regarding this commitment, please contact James W. Ellars at 304-558-4607 (X201).

Sincerely,

Kenneth Lowe, Jr.

Attachment

cc: Bob Decrease, P.E., BPH *(via e-mail)*
Bob Hazelwood, P.E., Pentree, Inc. *(via e-mail)*
David N. Cole, Region I Planning & Development Council *(via e-mail)*
Samme Gee, Esq., Jackson Kelly *(via e-mail)*

NOTE: This letter is sent in triplicate. Please acknowledge receipt and immediately return two copies to the Infrastructure Council.

Red Sulphur Public Service District

By: _____

Its: Chairman

Date: February 15, 2011

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Red Sulphur Public Service District
Water Project 2001W-583

SCHEDULE A

A. Approximate Amount: $894,500 Grant

Grant: $894,500

1. Grant Advancement Date(s): Monthly, upon receipt of proper requisition.

2. Special Conditions: None

NOTICE: The terms set forth above are subject to change following the receipt of construction bids.

B.	Other Funding:	SCBG	$1,500,000
		RUS grant*	1,415,500
		RUS loan	600,000
C.	Total Project Cost:		$4,410,000
D.	Proposed User Rates:		Approximately $37.10 / 4000 gallons

*$15,500 Rural Utilities Service tap fees will be waived.

WEST VIRGINIA
Infrastructure & Jobs Development Council

Gov. Joe Manchin, III
Chairman

Kenneth Lowe, Jr.
Public Member

Dwight Calhoun
Public Member

David "Bones" McComas
Public Member

Ron Justice
Public Member

Angela K. Chestnut, P.E.
Executive Director

Barbara J. Pauley
Administrative Secretary

April 9, 2010

Mr. Robert M. Williams, Sr. Chairman
Red Sulphur Public Service District
P.O. Box 697
Peterstown, WV 24963

Re: Red Sulphur Public Service District
Water Project 2001W-583 (Revised)
Binding Commitment & GAN
(Action Required by April 30, 2010)

Dear Mr. Williams:

The West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) recommends the Red Sulphur Public Service District (District) pursue a $1,070,000 Water Development Authority Grant Anticipation Note (WDA GAN) to cover the remaining Small Cities Block grant (SCBG) commitment for the above referenced water project (Project). Please contact the West Virginia Water Development Authority (Authority) office at 304-558-3612 for specific information on the steps the District needs to follow to apply for these funds. **Please note that this letter does not constitute funding approval from this agency.**

The Infrastructure Council also provides this binding offer of an Infrastructure Fund grant of approximately $700,000 (Grant) to the District. The final Grant amount will be established after the District has received acceptable bids for the Project. The Infrastructure Council will set aside a portion of the Infrastructure Fund to make the Grant upon the District's compliance with the program requirements.

The Infrastructure Council will authorize the Authority to enter into the Grant agreement with the District following receipt of the completed Schedule B, a final, nonappealable order from the Public Service Commission authorizing construction of the Project, evidence of binding commitments for other funding; evidence of all permits; evidence of acceptable bids; and any other documents requested by the Infrastructure Council.

No statements or representations made before or after the issuance of this contingent commitment by any person or member of the Infrastructure Council, or agent or employee of the Authority shall be construed as approval to alter or amend this commitment, as all such amendments or alterations shall only be made in writing after approval of the Infrastructure Council.

If the District has any questions regarding this commitment, please contact Angela K. Chestnut at 304-558-4607 (X201).

Sincerely,

Kenneth Lowe, Jr.

Attachment

cc: Bob Decrease, P.E., BPH *(via e-mail)*
Bob Hazelwood, P.E., Pentree, Inc. *(via e-mail)*
Cori Edwards, GIS/Planning, Region I Planning and Development Council *(via e-mail)*
John Stump, Steptoe & Johnson *(via e-mail)*
Samme Gee, Esq., Jackson Kelly *(via e-mail)*
Water Development Authority

NOTE: This letter is sent in triplicate. Please acknowledge receipt and immediately return two copies to the Infrastructure Council.

Red Sulphur Public Service District

By: [signature]

Its: Chairman

Date: 4-16-10

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Red Sulphur Public Service District
Water Project 2001W-583
April 9, 2010

SCHEDULE A

A. Approximate Amount: $700,000 Grant

Grant: $700,000

1. Grant Advancement Date(s): Monthly, upon receipt of proper requisition.

2. Special Conditions: None

NOTICE: The terms set forth above are subject to change following the receipt of construction bids.

B. Other Funding:	SCBG	$ 430,000
	WDA GAN	1,070,000
	RUS grant	1,400,000
	RUS loan	600,000
C. Total Project Cost:		$4,200,000

D. Proposed User Rates: Approximately $37.10 / 4000 gallons

IC-2
(7/09)

GRANT AGREEMENT
(2001W-583)

This Grant Agreement entered into by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority"), on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council") and the RED SULPHUR PUBLIC SERVICE DISTRICT (the "Governmental Agency").

RECITALS

WHEREAS, the Council has authorized the Authority to make a grant to the Governmental Agency in the amount not to exceed $894,500 (the "Grant") for the purposes of the design, acquisition or construction of a project for which a preliminary application has been submitted and approved by the Council;

WHEREAS, the Governmental Agency wishes to accept the Grant upon such terms and conditions as are hereinafter set forth for the purposes of designing, acquiring or constructing the project described in Exhibit B attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Grant Agreement sets forth the Council, the Authority and the Governmental Agency's understandings and agreements with regard to the Grant.

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

TERMS

1. Prior to the distribution of the Grant, the Governmental Agency shall provide the Authority with a Project budget and an anticipated monthly draw schedule reflecting the receipt dates and amounts from other funding sources. The Project budget shall not be amended unless the Governmental Agency has received the prior written consent of the Council.

2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Authority. Unless agreed to by the Council prior to the commencement of construction, the Grant shall be the last dollars expended on the Project.

3. The monthly requisition will also set forth (i) the amounts requested for that requisition period from all other funding agencies, and (ii) the amounts advanced for the Project to date from all other funding agencies.

4. The Authority shall wire the approved requisition amount using the wiring instructions provided in Exhibit A, unless the Council and Authority are provided replacement instructions in writing.

5. The Governmental Agency will use the proceeds of the Grant only for the purposes specifically set forth in Exhibit B.

6. The Governmental Agency shall comply with and is bound by the Council's rules set forth as Title 167, Series 1 and more particularly Section 5.9 with respect to the sale of the Project.

7. The Governmental Agency acknowledges that the Grant may be reduced, from time to time, to reflect actual Project costs and availability of other funding.

8. The Governmental Agency shall list the Grant provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project.

9. This Grant Agreement shall be governed by the laws of the State of West Virginia.

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

RED SULPHUR PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman
Date: March 17, 2011

(SEAL)

Attest: _____
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: _____
Its: Executive Director
Date: March 17, 2011

(SEAL)

Attest: _____
Its: Authorized Officer

[To Be Placed on Letterhead]

Exhibit A

Wiring Instructions

_____, 20__

Red Sulphur Public Service District
P.O. Box 697
Peterstown, WV 24963

Payor:	West Virginia Water Development Authority
Source:	Grant Proceeds
Amount:	$_____
Date:	_____, 20__
Form:	Electronic Funds Transfer
Payee:	Red Sulphur Public Service District
Bank:	First Community Bank, US Route 219, N., Lindside, WV 24951
Bank Contact:	Dana Widdoes
Telephone:	(304) 753-4311
Routing No.:	051501299
Account No.:	3411305
Account Name:	Series 2011 A Bonds Construction Trust Fund

Exhibit B

Project Description

The Project consists of construction of approximately 66,000 l.f. of waterline and all related appurtenances to provide service to approximately 133 customers in the Greenville and Wikel areas of Monroe County.

State of West Virginia
Joe Manchin III
Governor

Office of the Governor
State Capitol
1900 Kanawha Boulevard, East
Charleston, WV 25305

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.wvgov.org

October 26, 2010

The Honorable Joyce Pritt
President
Monroe County Commission
Post Office Box 350
Union, West Virginia 24983

Dear Commissioner Pritt:

On October 13, 2009, the Monroe County Commission received a commitment of $1,300,000 in Small Cities Block Grant funds to extend water service to the community of Greenville and surrounding area Monroe County.

In order to effectively use limited available dollars, $230,000 was made available from the FY2009 allocation. Based upon the Monroe County Commission's ability to proceed with this worthwhile project, I am committing the remaining $1,070,000 necessary to complete the project from the FY2010 Small Cities allocation. In order to proceed with your project, your existing Small Cities Block Grant contract will be amended to include the additional funds.

I encourage you to expedite this project and reach its completion, as the West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule. Please contact Mr. Michael Browning of the West Virginia Development Office, at (304) 558-2234, extension 52007, if you have any questions.

I am pleased to assist with these improvements for the citizens of the Monroe County.

With warmest regards,

Joe Manchin III
Governor

JM:mbm

State of West Virginia
Joe Manchin III
Governor

Office of the Governor
State Capitol
1900 Kanawha Boulevard, East
Charleston, WV 25305

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.wvgov.org

October 13, 2009

The Honorable Joyce Pritt
President
Monroe County Commission
Post Office Box 350
Union, West Virginia 24983

Dear Commissioner Pritt:

Thank you for your application to the Small Cities Block Grant (SCBG) Program to provide water service to 157 customers in the Coulter's Chapel, Wikel Road, and Greenville areas of Monroe County. Your request has been approved in the amount of $1,300,000. Your existing SCBG contract will be amended to include the additional funds.

In order to effectively utilize the limited dollars available, I hereby commit $230,000 from our FY2009 allocation that will immediately be available to you. The remaining $1,070,000 necessary to complete the project will be evaluated and committed in a future year's allocation based on your ability to proceed forward with this project. I encourage you to expedite this project and reach its completion as quickly as possible.

The West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule as outlined in your Small Cities Block Grant application. This obligation may be replaced with a letter of intent for consideration from future allocations. Please be advised that a letter of intent is contingent upon the availability of federal funds.

I am pleased to assist with these improvements for the citizens of Monroe County.

With warmest regards

Joe Manchin III
Governor

JM:mbm

Applicant/Recipient Disclosure/Update Report

U.S. Department of Housing and Urban Development

OMB Approval No. 2510-0011 (exp. 8/31/2009)

Instructions. (See Public Reporting Statement and Privacy Act Statement and detailed instructions on page 2.)

Applicant/Recipient Information

Indicate whether this is an Initial Report ☐ or an Update Report ☒

1. Applicant/Recipient Name, Address, and Phone (include area code):
   Oliver Porterfield, President
   Monroe County Commission
   P.O. Box 360
   Union, WV 24983

2. Social Security Number or Employer ID Number:
   66-6000-367

3. HUD Program Name
   HUD Small Cities Block Grant

4. Amount of HUD Assistance Requested/Received
   $200,000

5. State the name and location (street address, City and State) of the project or activity:
   Projects improvements will be located along the following roads in Monroe County, WV: State Route 122, School House Road, Keaton Cemetery Road, Wiket Road, Dixon's Holler Road, County Route 23/8, County Route 219/16, Simms Hill Road, Cook's Run Road, and minor sections of unnamed roads adjoining those named. Please see enclosed maps for visual reference

Part I Threshold Determinations

1. Are you applying for assistance for a specific project or activity? These terms do not include formula grants, such as public housing operating subsidy or CDBG block grants. (For further information see 24 CFR Sec. 4.3).
   ☒ Yes ☐ No

2. Have you received or do you expect to receive assistance within the jurisdiction of the Department (HUD), involving the project or activity in this application, in excess of $200,000 during this fiscal year (Oct. 1 - Sep. 30)? For further information, see 24 CFR Sec. 4.9
   ☒ Yes ☐ No.

If you answered "**No**" to either question 1 or 2, **Stop!** You do not need to complete the remainder of this form. ***However***, you must sign the certification at the end of the report.

Part II Other Government Assistance Provided or Requested / Expected Sources and Use of Funds.

Such assistance includes, but is not limited to, any grant, loan, subsidy, guarantee, insurance, payment, credit, or tax benefit.

Department/State/Local Agency Name and Address	Type of Assistance	Amount Requested/Provided	Expected Uses of the Funds
SCBG	grant	1,300,000	
IJDC	grant	700,000	
RUS	grant	800,000	
RUS	loan	400,000	

(Note: Use Additional pages if necessary.)

Part III Interested Parties. You must disclose:

1. All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
2. any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds $50,000 or 10 percent of the assistance (whichever is lower).

Alphabetical list of all persons with a reportable financial interest in the project or activity (For individuals, give the last name first)	Social Security No. or Employee ID No.	Type of Participation in Project/Activity	Financial Interest in Project/Activity ($ and %)
Region I Planning & Development Council	55-0533909	Administration	$20,000

(Note: Use Additional pages if necessary.)

Certification

Warning: If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosures of information, including intentional non-disclosure, is subject to civil money penalty not to exceed $10,000 for each violation.

I certify that this information is true and complete.

Signature:	Date: (mm/dd/yyyy)
x Oliver B. Porterfield	06-16-08

ATTACHMENT 1-5

SAMPLE NOTICE OF APPROVAL OF EVIDENTIARY MATERIALS AND RELEASE OF FUNDS

Monroe County Commission Grantee Name	Oliver Porterfield, President Name and Title of Chief Elected Official
P.O. Box 350 Union, WV 24983 Grantee Address	Date
Red Sulphur PSD-Greenville Wikel Water Project Project Name	07SCBG0001 Project Number

On _____ we received your Request for Release of Funds. Your Grant Agreement required the following Evidentiary Materials.

	ENVIRONMENTAL EVIDENTIARY MATERIAL	DATE RECEIVED	NEED	DATE APPROVED
1.	Level of Clearance Finding (i.e., exempt, CE or EA)			
2.	Statutory Checklist with agency correspondence			
3.	Other Requirements Checklist with backup information			
4.	Format II (including FONSI)			
5.	Copy of all applicable Public Notices			
6.	Distribution List			
7.	Correspondence concerning Public Comments			
8.	Request for Release of Funds and Certification			
	Date Environmentally Cleared			
	Comments:			
	FULL RELEASE			
1.	Fully Executed Grant Agreement			
2.	Financial Certification			
3.	Other Funds Committed			
	A.			
	B.			
	C.			
	D.			
	E.			
4.	Antidisplacement and Relocation Assistance Plan			
5.	Performance Schedule			
6.	Procurement Code			
7.	Legally Binding Agreement(s)			
8.	Disclosure Report Update			
9.	Other			
	Date of Full Release of Funds			

Additional materials listed above or as noted below are needed before funds can be released. _____

All required Evidentiary Materials have been submitted and approved and all funds are hereby released. _____

Director Division of Community Development West Virginia Development Office	Signature of Authorizing Officer	Date

ATTACHMENT 2-20

Request for Release of Funds and Certification

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

OMB No. 2506-0087
(exp. 6/30/2001)

This form is to be used by Responsible Entities and Recipients (as defined in 24 CFR 58.2) when requesting the release of funds, and requesting the authority to use such funds, for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and States. Public reporting burden for this collection of information is estimated to average 36 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Part I, Program Description and Request for Release of Funds (to be completed by Responsible Entity)

1. Program Title(s)	2. HUD/State Identification Number	3. Recipient Identification Number (optional)
HUD SCBG	07SCBG0001	

4 OMB Catalog Number(s) 14.228

5. Name and address of responsible entity

Monroe County Commission
P.O. Box 350
Union, WV 24983

6. For information about this request, contact (name & phone number)

David N. Cole (304) 431-7225

7. Name and address of recipient (if different than responsible entity)

8. HUD or State Agency and office unit to receive request

West Virginia Development Office

The recipient(s) of assistance under the program(s) listed above requests the release of funds and removal of environmental grant conditions governing the use of the assistance for the following

9. Program Activity(ies)/Project Name(s)

Red Sulphur PSD-
Greenville Wikel Water Project

10. Location (Street address, city, county, State)

Projects improvements will be located along the following roads in Monroe County, WV: State Route 122, School House Road, Keaton Cemetery Road, Wikel Road, Dixon's Holler Road, County Route 23/8, County Route 219/16, Simms Hill Road, Cook's Run Road, and minor sections of unnamed roads adjoining those named. Please see enclosed maps for visual reference.

1 Program Activity/Project Description

Shall do, perform, and carry out in a satisfactory and proper manner all duties, tasks, and functions necessary to assist the Monroe County Commission to replace and install elements of a water storage and distribution system in order to provide adequate water service to the Greenville and Wikel Areas.

Part 2. Environmental Certification (to be completed by responsible entity)

With reference to the above Program Activity(ies)/Project(s), I, the undersigned officer of the responsible entity, certify that:

1. The responsible entity has fully carried out its responsibilities for environmental review, decision-making and action pertaining to the project(s) named above.

2. The responsible entity has assumed responsibility for and complied with and will continue to comply with, the National Environmental Policy Act of 1969, as amended, and the environmental procedures, permit requirements and statutory obligations of the laws cited in 24 CFR 58.5; and also agrees to comply with the authorities in 24 CFR 58.6 and applicable State and local laws.

3. After considering the type and degree of environmental effects identified by the environmental review completed for the proposed project described in Part 1 of this request, I have found that the proposal ☐ did ☒ did not require the preparation and dissemination of an environmental impact statement.

4. The responsible entity has disseminated and/or published in the manner prescribed by 24 CFR 58.43 and 58.55 a notice to the public in accordance with 24 CFR 58.70 and as evidenced by the attached copy (copies) or evidence of posting and mailing procedure.

5. The dates for all statutory and regulatory time periods for review, comment or other action are in compliance with procedures and requirements of 24 CFR Part 58.

6. In accordance with 24 CFR 58.71(b), the responsible entity will advise the recipient (if different from the responsible entity) of any special environmental conditions that must be adhered to in carrying out the project.

As the duly designated certifying official of the responsible entity, I also certify that:

7. I am authorized to and do consent to assume the status of Federal official under the National Environmental Policy Act of 1969 and each provision of law designated in the 24 CFR 58.5 list of NEPA-related authorities insofar as the provisions of these laws apply to the HUD responsibilities for environmental review, decision-making and action that have been assumed by the responsible entity.

8. I am authorized to and do accept, on behalf of the recipient personally, the jurisdiction of the Federal courts for the enforcement of all these responsibilities, in my capacity as certifying officer of the responsible entity.

Signature of Certifying Officer of the Responsible Entity	Title of Certifying Officer
X Oliver B Porterfield	Oliver Porterfield, Monroe County Commission President
	Date signed 06-16-08

Address of Certifying Officer
Monroe County Commission
P.O. Box 350
Union, WV 24983

Part 3. To be completed when the Recipient is not the Responsible Entity

The recipient requests the release of funds for the programs and activities identified in Part 1 and agrees to abide by the special conditions, procedures and requirements of the environmental review and to advise the responsible entity of any proposed change in the scope of the project or any change in environmental conditions in accordance with 24 CFR 58.71(b).

Signature of Authorized Officer of the Recipient	Title of Authorized Officer
X	Date signed

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18U.S.C. 1001, 1010, 1012; 31 U.S.C. 372

ATTACHMENT 1-1

PERFORMANCE SCHEDULE

Contact Person: David N. Cole

Grantee Name: Monroe County Commission

Telephone: (304) 431-7225

Project Number: 07SCBG0001

Page 1 of 1

	Year	2008				2009				2010				
		J F M	A M J	J A S	O N D	J F M	A M J	J A S	O N D	J F M	A M J	J A S	O N D	
	Quarter	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	
Grant Agreement Approval	/ /													End Date
Benchmarks	Start Date (N/A)													
Environmental Clearance	February 2001													May 2008
Release of Funds	March 2008													July 2008
Engineering Design	May 2008													November 2008
Bid Dates	February 2010													March 2010
Other-Permitting	October 2008													February 2009
Other-WVPSC	August 2009													January 2010

NO.	Activities		
1	Legal	Project Period	Project Period
2	Acquisition	November 2008	March 2009
3	Accountant	April 2008	June 2010
4	Engineering	Project Period	Project Period
5	Administration	Project Period	Project Period
6	Construction	June 2010	December 2010

Grantee Signature: Olus B. Porterfield

Date: 06-16-08

Attachment 1-2

Certification of Financial Management System Compliance With The "Common Rule,"24 CFR 85, Requirements

Grantee: Monroe County Commission	**Date:**
Contact Person: David Cole	**Telephone: 304-431-7225**

This certification is required prior to release of funds pursuant to the "Common Rule," 24 CFR Part 85. The "Common Rule" requires that recipients of Federal funds must have financial management systems that meet the requirements set forth in 24 CFR Part 85.20.

1. Does the grantee have a non-interest bearing checking account established specifically for the SCBG project?

   _X_ yes ___ no

2. Does the grantee have a financial management system that provides accurate, current and complete disclosure of the financial status of each activity supported by SCBG funds?

   _X_ yes ___ no

3. Has the grantee adopted written mechanisms to insure compliance with the "Three Day Rule" and "Procedures for Determining Reasonableness, Allocability and Allowable Costs?"

   _X_ yes ___ no

4. Does the grantee have accounting records that are supported by source documentation:

   _X_ yes ___ no

5. Does the grantee have a system in place to compare actual outlays with budgeted amounts:

   _X_ yes ___ no

6. Does the grantee have a system in place to assure timely and appropriate resolution of monitoring and audit findings?

   _X_ yes ___ no

   Please provide an explanation regarding any "no" answers

Grantee Signature: Blair B Porterfield **Date:** 06-16-08

ATTACHMENT 1-4

REQUEST FOR APPROVAL OF EVIDENTIARY MATERIALS AND RELEASE OF FUNDS

Grantee Name: Monroe County Commission		Project Number:07SCBG0001	
Grantee Address: P.O. Box 350, Union, WV 24983		Date of Request:	
Evidentiary Materials		Items* Included	State Use Only
1. Certification of Financial Management System	I hereby state that the community's financial management system has been reviewed and the Certification of Financial Management System Compliance with the "Common Rule," 24 CFR Part 85 is attached to this Certification.	X	
2. Environmental	I hereby state that the community has completed the required environmental review process and a Certification of Completion is attached.	X	
3. Performance Schedule	I hereby state that this project will be completed within 36 months of the date of the Grant Agreement and the Performance Schedule is attached.	X	
4. Other Fund Commitments	I hereby state that firm commitments for other funds referenced in the evidentiary have been secured and are attached.	N/A	
5. Legally Binding Commitments	I hereby certify that the legally binding commitments required have been submitted and are attached to this request.	N/A	
6. Other Attachments	**Antidisplacement and Relocation Assistance Plan**	included	
	Procurement Standards	included	
	Disclosure Report Update	included	
	Other: Affirmative Action Plan	included	

Typed Name/Title of City/County Official: Oliver Porterfield Monroe County Commission President	Signature of City/County Official: Oliver B. Porterfield	Date: 06-16-08

FOR STATE USE ONLY

Action Taken:	Individual Authorizing Action:	Date:

104(d) of the Housing and Community Development Act of 1974 as Amended

The Monroe County Commission will replace all occupied and vacant occupiable low/moderate income dwelling units demolished or converted to a use other than as low/moderate income housing as a direct result of activities assisted with funds provided under the Housing and Community Development Act of 1974, as amended, as described in 24 CFR 570.496a(b), a copy of which is attached hereto.

All replacement housing will be provided within three (3) years of the commencement of the demolition or rehabilitation relating to conversion. Before obligating or expending funds that will directly result in such demolition or conversion, the Monroe County Commission will make public and advise the state that it is undertaking such an activity and, if requested, will submit to the state, information that identifies:

(1) a description of the proposed assisted activity;

(2) the general location on a map and approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low/moderate income dwelling units as a direct result of the assisted activity;

(3) a time schedule for the commencement and completion of the demolition or conversion;

(4) the general location on a map and approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units; and

(5) the basis for concluding that each replacement dwelling unit will remain a low/moderate income dwelling unit for at least 10 years from the date of initial occupancy.

The Monroe County Commission will provide relocation assistance as described in Section 570.496a(b) to each low/moderate income household displaced by the demolition of housing or by the conversion of a low/moderate income dwelling to another use as a direct result of assisted activities.

Consistent with the goals and objectives of activities assisted under the Act, the Monroe County Commission will take the following steps to minimize the displacement of persons from their homes.

(1) Look at alternative programs or projects that would have no displacement as a part of implementation

(2) In the case of housing assistance give equal consideration to housing rehabilitation as opposed to replacement

(3) Try to preserve the "basic" neighborhood in any community development project undertaken

Adopted this 3rd day of April, 2008.

Oliver Porterfield, President

PROCUREMENT STANDARDS

The Monroe County Commission hereby adopts 24 CFR Part 85.36 (Federal Procurement Standards) as the standard to be used in the procurement of all services needed in the implementation of the FY '07 Red Sulphur PSD-Greenville Wikel Water Project as funded by the State HUD SCBG Program.

Adopted this 3rd day of April, 2008.

Oliver Porterfield, President

MONROE COUNTY COMMISSION

APPROVAL OF ALLOWABLE COSTS

STATE/HUD SMALL CITIES BLOCK GRANT

This is to document the process that is to be used in processing payments for all allowable project costs associated with the Monroe County Commission-Red Sulphur PSD Greenville Wikel Water FY '07 HUD/Small Cities Block Grant. Region I's process for approval of costs has been approved by the State and is used in all programs it administers. Administrative invoices will be submitted by Region I directly to the Monroe County Commission for approval and payment along with each drawdown request submitted.

The contractor, engineer, etc., will submit a copy of their invoice for approval by the Monroe County Commission. Region I is provided a copy of all invoices to be paid from SCBG funds. The Monroe County Commission, will be expected to review and approve all construction related invoices from contractors. This is to insure that all construction work is being done to the satisfaction of the Monroe County Commission and in accordance with the construction design specifications.

Once submitted to Region I, the Fiscal Department will review each request in order to determine they are within scope, contract terms and project budget and to what line item the invoice is to be charged. The invoices are then presented to the project coordinator for approval and verification.

The Fiscal Department then prepares the drawdown document which, along with all attached invoices including administrative costs, is submitted to the Monroe County Commission for approval at their Commission meetings, the packet is sent to the West Virginia Development Office for payment.

The State of West Virginia will send the check back to the Monroe County Commission. Once the check is received by the Monroe County Commission, Region I must promptly be notified. The THREE DAY RULE dictates that the Monroe County Commission has three (3) days to expend the drawdown and have a balance under $5,000 in its account, otherwise it will incur an audit finding. Region I will then promptly prepare the checks to vendors that represents that money.

These checks will be presented to the Monroe County Commission representatives and Region I representatives for their signature after which they will then be distributed to the vendor.

Oliver Porterfield, President

I, Donnie Evans, Clerk of the Monroe County Commission, Monroe County, West Virginia do hereby certify that this is a true and accurate copy of the "Approval of Allowable Costs" as adopted by the Commission at their regular meeting on the 3 day of April, 2008 with a quorum present and the majority voting affirmatively.

Donnie Evans, Clerk

VI. **EQUAL OPPORTUNITY COMPLIANCE**

Employment by the Subgrantee Monroe County Commission

		Yes	No
1.	Has the subgrantee adopted an Affirmative Action Plan related to employment?	✓	
2.	Does the subgrantee have written employment and personnel policies which provide equal opportunity?	✓	
3.	Were equal opportunity guidelines followed in advertising for vacancies?	✓	
4.	Does employment data indicate affirmative action in equal opportunity employment?	✓	
5.	Have any equal opportunity complaints been filed against the subgrantee?		✓

6. Work Force Analysis: Staff

Total Employees	38	Total Minority	0
Total Male	15	Minority Male	0
Total Female	23	Minority Female	0
		Handicapped	0

7. Age Distribution:

4	18-25	10	41-50
2	26-32	11	51-65
6	33-40	5	+65

Fair Housing

1. _____

MONROE COUNTY COMMISSION, MERCER COUNTY, WEST VIRGINIA
ADA GRIEVANCE PROCEDURES

The Monroe County Commission, Mercer County, West Virginia has adopted an internal grievance procedure providing for prompt and equitable resolution of complaints alleging any action prohibited by Federal Law in denial of access to facilities and services or employment by the Monroe County Commission for otherwise qualified handicapped individuals.

Complaints should be addressed to the ADA Coordinator, Oliver Porterfield, at Monroe County Commission, telephone (304) 772-3086.

1. A complaint should be filed in writing or verbally, contain the name and address of the person filing it, and briefly describe the alleged violation of the regulations.

2. A complaint should be filed within 10 days after the complainant becomes aware of the alleged violation. (Processing of allegations of discrimination occurring before this grievance procedure was in place will be considered on a case-by-case basis).

3. An investigation, as may be appropriate, shall follow a filing of a complaint. The investigation will be conducted by the ADA Coordinator. These rules contemplate informal but thorough investigations, affording all interested persons and the representatives, if any, an opportunity to submit evidence relevant to a complaint.

4. A written determination as to the validity of the complaint and description of resolution, if any, shall be issued by the ADA Coordinator and a copy forwarded to the complainant no later than 30 days after its filing.

5. The coordinator shall maintain the files and record of the Monroe County Commission relating to the complaints filed.

6. The complainant can request a reconsideration of the case in instances where he or she is dissatisfied with the resolution. The request for reconsideration should be made within 10 days to the office of the Prosecuting Attorney.

7. The right of a person to prompt and equitable resolution of the complaint filed hereunder shall not be impaired by the person's pursuit of other remedies such as the filing of a Section 504 complaint with the Office of Revenue Sharing, United States Department of Treasury. Utilization of this grievance procedure is not a prerequisite to the pursuit of other remedies.

8. These rules shall be construed to protect the substantive rights of interested person, to meet appropriate due process standards and to provide a grievance procedure.

Oliver Porterfield
Oliver Porterfield, President

I, Donnie Evans, County Clerk of the Monroe County Commission, West Virginia certify that the above is a true copy of ADA Grievance Procedures adopted the 3 day of April, 2008, at a meeting of the Commission. I further certify that a quorum of the Commission was present and a majority of its members voted affirmatively.

Donnie Evans
Donnie Evans, County Clerk

CITIZEN COMPLAINT PROCEDURE

MONROE COUNTY COMMISSION

SMALL CITIES BLOCK GRANT PROGRAM

This citizen complaint procedure for the Monroe County Commission is designed to receive and resolve citizen complaints and problems relative to the activities of the aforementioned program.

STEP ONE:

Any citizen residing within the service area of the Monroe County Commission and having a complaint or problem, shall submit his or her grievance in writing to the Monroe County Commission. If said citizen does not have means by which to submit complaint or problem in writing, a form will be provided by the Monroe County Commission. A copy of this form is herewith attached and identified as "Citizen Complaint Form". Section I of this form must be completed by complainant.

STEP TWO:

The Monroe County Commission will evaluate the problem or complaint in order to determine action required for resolution. This action may be one of the following alternatives:

I. Resolution of problem.
II. Referral of problem to Project Administrator.

STEP TWO-A:

If alternative I is chosen, the Monroe County Commission will resolve the problem or complaint and record the action taken for resolution or problem of complaint in appropriate area (Section II) on the "Citizen Complaint Form" and file for future reference. A copy of the form will be placed in the Small Cities Administrative file. All parties will be notified in writing as to the resolution.

STEP TWO-B:

If alternative II is chosen, the Monroe County Commission will make referral of problem or complaint to the Project Administrator for resolution. The Monroe County Commission will make referral to the Project Administrator by forwarding the "Citizen Complaint Form" to the Project Administrator. Section I must be filled out completely.

The Project Administrator will mediate to resolve the problem or complaint to the mutual satisfaction of involved parties.

Upon resolution, Section II will be completed and filed. All parties will be notified in writing as to the resolution.

If the problem cannot be resolved to the satisfaction of complainant or involved parties, the Project Administrator will act as the appellate body for unresolved complaints.

Unless the complainant/appellant wishes to proceed with the issue in Circuit Court, the decision rendered by the Project Administrator will stand as final.

ADOPTED THIS 3rd DAY OF April, 2008.

Oliver Porterfield, President

MONROE COUNTY COMMISSION

SMALL CITIES BLOCK GRANT PROGRAM

CITIZEN COMPLAINT FORM

SECTION I

Name of Complainant: _____

Address: _____

_____

Telephone: _____

Brief Description of Complaint or Problem: _____

_____

_____

_____

_____

_____

_____ _____

Signature of Complainant Date

SECTION II

A. Finding: _____

B. Method (Steps) of Resolution: _____

C. Disposition: _____

MONROE COUNTY COMMISSION
P.O. BOX 350
UNION, WV 24983

OLIVER PORTERFIELD
JOYCE PRITT
SHANE ASHLEY

DONALD J. EVANS, *Clerk*
(304) 772-3096

FAIR HOUSING RESOLUTION

LET IT BE KNOWN TO ALL PERSONS OF MONROE COUNTY, WEST VIRGINIA, that discrimination in the sale, rental, leasing, financing of housing or land to be used for construction of housing or in the provision of brokerage services because of race, color, religion, sex or national origin is prohibited by Title VIII of the 1968 Civil Rights Act (Federal Fair Housing Law).

IT IS THE POLICY of the Monroe County Commission, to implement programs to ensure equal opportunity in housing for all persons regardless of race, color, religion, sex or national origin. The Fair Housing Amendments Act of 1988 expands coverage to include disabled persons and families with children. Therefore, the Monroe County Commission does hereby pass the following resolution.

BE IT RESOLVED that within available resources the county will assist all persons who feel they have been discriminated against because of race, color, religion, sex, national origin, disability or familial status to seek equity under federal and state laws by filing a complaint with the U.S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity, Compliance Division.

BE IT FURTHER RESOLVED that the Monroe County Commission, shall publicize this Resolution and through this publicity shall encourage owners of real estate, developers and builders to become aware of their respective responsibilities and rights under the Federal Fair Housing Law and amendments and any applicable state or local laws or ordinances.

SAID PROGRAM will at a minimum include: 1) printing and publicizing of this policy and other applicable fair housing information through local media and community contacts; 2) distribution of posters, flyers and any other means that will bring to the attention of those affected, the knowledge of their respective responsibilities and rights concerning equal opportunity in housing; and 3) prepare an analysis of impediments to fair housing choice and actions to mitigate such impediments.

EFFECTIVE DATE:

This resolution passed this the 3 day of April, 2008.

Oliver Porterfield, President
Monroe County Commission

CODE OF CONDUCT

The Monroe County Commission hereby certifies that it will maintain the following Code of Conduct governing the performance of its officers, employees or agents engaged in the award and administration of contracts for the FY '07 Red Sulphur PSD Greenville Wikel Water Project as funded by the State HUD SCBG Program:

1. NO EMPLOYEE, OFFICER, OR AGENT OF THE MONROE COUNTY COMMISSION PARTICIPATE IN THE SELECTION, AWARD OR ADMINISTRATION OF A CONTRACT IN WHICH, HUD SCBG FUNDS ARE USED, WHERE, TO HIS KNOWLEDGE, HE OR HIS IMMEDIATE FAMILY, PARTNERS, OR ORGANIZATION IN WHICH HE OR HIS IMMEDIATE FAMILY, PARTNERS, OR ORGANIZATION HAS A FINANCIAL INTEREST OR WITH WHOM HE IS NEGOTIATING OR HAS ANY ARRANGEMENT CONCERNING PROSPECTIVE EMPLOYMENT.

2. THE MONROE COUNTY COMMISSION OFFICERS, EMPLOYEES, OR AGENTS SHALL NEITHER SOLICIT NOR ACCEPT GRATUITIES, FAVORS OR ANYTHING OF MONETARY VALUE FROM CONTRACTORS OR POTENTIAL CONTRACTORS.

3. PENALTIES, SANCTIONS OR OTHER DISCIPLINARY ACTIONS WILL BE APPLIED FOR VIOLATIONS OF THE ABOVE STANDARDS BY EITHER THE MONROE COUNTY COMMISSION OFFICERS, EMPLOYEES, OR AGENTS, OR BY CONTRACTORS OR THEIR AGENTS, TO THE EXTENT PERMISSIBLE BY STATE OR LOCAL LAW.

Oliver Porterfield, President

I, Donnie Evans, Clerk of the Monroe County Commission, attest that the above is a true and exact copy of the Code of Conduct enacted by the Monroe County Commission this the 3 day of April 2008.

Donnie Evans, Clerk

State of West Virginia
Joe Manchin III
Governor

Office of the Governor
State Capitol
1900 Kanawha Boulevard, East
Charleston, WV 25305

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.wvgov.org

February 1, 2008

The Honorable Oliver Porterfield
President
Monroe County Commission
Post Office Box 350
Union, West Virginia 24983

Dear Commissioner Porterfield:

Thank you for your application to the Small Cities Block Grant program.

Your request has been approved in the amount of $200,000 for a Design and Administration Grant. These funds will enable you to complete the engineering design and required administrative services for the Monroe County Commission's project to provide water service to 157 customers in the Coulter's Chapel, Wikel Road, and Greenville areas of Monroe County.

In order to effectively utilize the limited dollars available, the West Virginia Development Office has launched a new program to assist communities with the engineering and administrative components of selected projects. This grant does not secure funding for the balance of the request in your application. The designed project must be resubmitted and will be competitively reviewed and considered for funding based on an amended application, availability of funds, and other requests pending at that time. The West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule.

Please contact Michael Browning of the West Virginia Development Office, at (304) 558-2234, to complete the necessary contract in order to proceed with your project.

I am pleased to assist with this project for the citizens of Monroe County.

With warmest regards,

Joe Manchin III
Governor

JM:mbb

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

The undersigned duly authorized representative of First Community Bank, Lindside, West Virginia (the "Bank"), hereby certifies that on March 17, 2011, the Bank received an automated transfer in the amount of $65,606.43 to the credit of the Series 2011 A Bonds Project Construction Account, Account Number 3411305.

WITNESS my signature on this 17th day of March, 2011.

FIRST COMMUNITY BANK

By: Dana Widdoes
Its: Authorized Officer
Dana Widdoes

02.23.11
742910.00006

5366477

USDA-RD
Form RD 440-11
(Rev. 11-96)

ESTIMATE OF FUNDS NEEDED
FOR
30-Day Period Commencing

February 15, 2011

FORM APPROVED
OMB NO. 0575-0015

Name of Borrower: Red Sulphur Public Service District

	Items	Amount of Funds
Development	Greenville-Wikel Water Project	
	Contact or Job No. Contract #1 (Lines)	
	Contract or Job No. Contract #2 (Tank)	
Permits	Highways Fees	**$29,326.43**
Legal		**$11,280.00**
Engineering Fees		
Acquisition		**$10,000.00**
Capitalized Interest		
Construction Contingency	*Transducers / Water Meters*	
Project Contingency		
Bond Counsel		**$15,000.00**
	TOTAL	**$65,606.43**

Prepared By: Red Sulphur Public Service District
Name of Borrower

By John S. Porterfield, Chairman

Date: February 15, 2011

Approved By: _____
RD County Supervisor/District Director

Date: _____

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time of reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U. S. Department of Agriculture, Clearance Officer, STOP 7602, 1400 Independence Avenue, S.W., Washington D.C. 20250-7602. DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a current valid OMB control number.

RD 440-11 (rev: 11-96)
*U.S.GPO: 1996-555-438/20185

CERTIFICATE REGARDING DISBURSEMENT OF FUNDS

Requisition Number #01

Red Sulphur Public Service District - Greenville Wikel Water Project

Period Covered: Through February 18, 2011

RESOLUTION OF THE RED SULPHUR PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO THE CONSTRUCTION AND OTHER SERVICES FOR THE GREENVILLE-WIKEL WATER PROJECT AND AUTHORIZING PAYMENT THEREOF,

WHEREAS, *The Red Sulphur PSD has reviewed the invoices attached hereto and incorporated reference relation to the construction of the Greenville-Wikel Water Project funded by the West Virginia Infrastructure Council (WVIJDC) and the Red Sulphur PSD, the Rural Utility Services (RUS) and West Virginia Development Office (SCBG) find as follows:*

NOW, THEREFORE BE IT RESOLVED by the Red Sulphur Public Service District as follows:

There is hereby authorized and directed the payment of the attached invoices as follows:

Project Phase	Total Amount	RUS	Red Sulphur PSD	WV IJDC
CONSTRUCTION				
CONSTRUCTION CONTINGENCY				
	$0.00			
ADMINISTRATION				
ENGINEERING				
LEGAL				
William S. Winfrey, II (Inv. 2-2-11)	$18,400.00	$11,280.00	$7,120.00	
ACCOUNTANT				
Jeffrey Feamster (Invoice 6-7-08)	$3,500.00		$3,500.00	
Imre David Pentek (Invoice 3-16-10)	$1,500.00		$1,500.00	
Imre David Pentek (Invoice 3-16-10)	$880.00		$880.00	
ACQUISITION				
Bennie R and Betty Jo Comer (Tank Site)	$10,000.00	$10,000.00		
PERMITS				
WV Division of Highways (Highway Fees)	$29,326.43	$29,326.43		
INTEREST				
BOND COUNSEL				
Steptoe & Johnson, PLLC (Invoice dated 1-31-11)	$15,000.00	$15,000.00		
TOTAL	$78,606.43	$65,606.43	$13,000.00	$0.00

The undersigned hereby certify as follows:

A. None of the items for which the payment is proposed to be made has formed the basis of any disbursement heretofore 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 property incurred.

D. Payment for each of the items proposed is due and owing as of the date hereof.

Dated this 15th day of February 2011.

Attachment

Red Sulphur Public Service District

BY: _____

John S. Porterfield

Pentree, Inc.

BY: Robert Hazelwood

Robert D. Hazelwood, P. E.

Rural Utility Services

BY: _____

AUTHORIZED REPRESENTATIVE

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

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

Writer's Contact Information

CLOSING MEMORANDUM

To: **Financing Team**

From: **John C. Stump, Esquire**

Date: **March 17, 2011**

Re: **Red Sulphur Public Service District**
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

DISBURSEMENTS TO DISTRICT:

Payor:	United States Department of Agriculture
Source:	Series 2011 A Bonds Proceeds
Amount:	$65,606.43
Form:	ACH
Payee:	Red Sulphur Public Service District
Bank:	First Community Bank
Routing #:	051501299
Account #:	3411305
Contact:	Dana Widdoes, 304.753.4311
Account:	Series 2011 A Bonds Construction Trust Fund

Payor:	West Virginia Infrastructure and Jobs Development Council
Source:	Grant Proceeds
Amount:	$0
Form:	Wire
Payee:	Red Sulphur Public Service District
Bank:	First Community Bank
Routing #:	051501299
Account #:	3411305
Contact:	Dana Widdoes, 304.753.4311
Account:	Series 2011 A Bonds Construction Trust Fund

02.24.11
742910.00006

WEST VIRGINIA
Water Development Authority
Celebrating 36 Years of Service 1974 - 2010

March 17, 2011

Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Imre Penteck, CPA, the independent certified public accountant, and the opinion of Steptoe & Johnson PLLC, bond counsel, that the coverage and parity tests have been met, the undersigned duly authorized representative of the West Virginia Water Development Authority (the "Authority"), the registered owner of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture), in the original aggregate principal amount of $600,000, by the Red Sulphur Public Service District (the "Issuer"), under the terms of the ordinance authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's: (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated November 6, 2006, issued in the original aggregate principal amount of $473,000 (the "Series 2006 B Bonds"); (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $4,150,000 (the "Series 2005 A Bonds"); and (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647 (the "Series 1987 A Bonds"), (collectively, the "First Lien Bonds"), and senior and prior as to liens, pledge and source of and security for payment to the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (the "Series 1987 B Bonds"). The First Lien Bonds and the Series 1987 B Bonds are collectively referred to as the "Prior Bonds".

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

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

March 17, 2011

Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 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 (i) consents to the issuance of the Combined Waterworks and Sewerage System Revenue Bonds, Series 2011 A (United States Department of Agriculture), in the original aggregate principal amount of $600,000 (the "Bonds"), by Red Sulphur 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: (1) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated November 6, 2006, issued in the original aggregate principal amount of $1,026,000 (the "Series 2006 A Bonds"); (2) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000 (the "Series 2003 A Bonds"); (3) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500 (the "Series 2002 A Bonds"); (4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500 (the "Series 1999 Bonds"); and (5) Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000 (the "Series 1992 Bonds") (collectively, the "Prior Bonds"); and (ii) 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.

WITNESSETH my signature on this 17th day of March, 2011.

State Director

1550 Earl Core Road • Suite 101 • Morgantown, WV 26505
Phone: 304.284.4860 • 1.800.295.8228 • Fax: 304.284.4893 • TTY/TDD: 304.284.4836 • Web: http://www.rurdev.usda.gov/wv

Committed to the future of rural communities.

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

RED SULPHUR PUBLIC SERVICE DISTRICT

WATERWORKS AND SEWERAGE REVENUE BONDS,
SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE),
AND SERIES 2006 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

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	CERTIFICATION

RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,026,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), AND NOT MORE THAN $473,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 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 THE LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR 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. Red Sulphur Public Service District (the "Issuer") is a public service district, a public corporation and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by the County Commission of Monroe County.

B. The Issuer currently owns and operates a public combined waterworks and 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, constructed, and maintained certain improvements and extensions to the sewerage portion of the existing combined waterworks and sewerage facilities consisting of a new wastewater collection system to serve approximately 205 new customers in the Lindside area of the District, together with all appurtenant facilities within the boundaries of the Issuer to be owned and operated by the Issuer (the "Project"), (the existing public combined waterworks and sewerage facilities of the Issuer, the Project and any further extensions or improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the United States Department of Agriculture (the "Purchaser") pursuant to the Act.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest on the Bonds and the Prior Bonds (as hereinafter defined) and payments into all funds and accounts and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds in the total aggregate principal amount of not more than $1,499,000 in two series, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), in the aggregate principal amount of not more than $1,026,000 (the "Series 2006 A Bonds"), and the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $473,000 (the "Series 2006 B Bonds" and, collectively with the Series 2006 A Bonds, the "Series 2006 Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The estimated maximum cost of the acquisition and construction of the Project is

$6,698,000. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2006 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in any Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2006 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2006 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, is hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 2006 A Bonds be sold to the Purchaser (as hereinafter defined in Section 1.04) pursuant to the terms and provisions of the Letter of Conditions (as hereinafter defined) and its Series 2006 B Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (as hereinafter defined) by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (as hereinafter defined as "Council"), in form satisfactory to the Issuer, the Authority and the Council, approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2006 Bonds as to liens, pledge, source of and security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $4,150,000 (the "Series 2005 A Bonds"), Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000 (the "Series 2003 A Bonds"), Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500 (the "Series 2002 A Bonds"), the Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States

Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500 (the "Series 1999 Bonds"), Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000, and held by the Purchaser (the "Series 1992 Bonds"), the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647, and held by the West Virginia Water Development Authority (the "Series 1987 A Bonds"), (collectively, the Series 2005 A Bonds, the Series 2003 A Bonds, the Series 2002 A Bonds, the Series 1999 Bonds, the Series 1992 Bonds and the Series 1987 A Bonds are referred to as the "First Lien Bonds").

There is outstanding an obligation of the Issuer which will rank junior and subordinate to the Series 2006 Bonds as to liens, pledge and source of security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173, and held by West Virginia Water Development Authority (the "Series 1987 B Bonds" or the "Subordinate Bonds"). The First Lien Bonds and the Subordinate Bonds are sometimes hereinafter collectively referred to as the "Prior Bonds."

Other than the Prior Bonds, there are no outstanding bonds or obligations which will rank prior to, on a parity with or junior to the Series 2006 A Bonds as to liens, pledge and/or source of and security for payment.

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.

Prior to the issuance of the Series 2006 Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests for the Prior Bonds are met; (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2006 Bonds on a parity with the First Lien Bonds; and (iii) the written consent of the Holders of the Subordinate Bonds to the issuance of the Series 2006 Bonds on a senior and prior basis to the Subordinate Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

I. The Issuer has complied with all requirements of West Virginia law, the Letter of Conditions and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, including, without limitation, the imposition of rates and charges and the issuance of the Series 2006 Bonds, or will have so complied prior to issuance of any thereof, including, the

approval of the Project and the financing thereof by the Council and the obtaining of a certificate of convenience and necessity approving the Project and of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2006 Bonds or such final order will not be subject to appeal or rehearing.

J. The Project has been approved by the Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2006 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 temporary Chairman duly selected by the Governing Body.

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

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

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

"Bonds" means, collectively, the Series 2006 A Bonds, the Series 2006 B Bonds, and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2006 Bonds for all or a portion of the proceeds of the Series 2006 A Bonds from the Purchaser and for all or a portion of the proceeds of the Series 2006 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 Pentree, Inc., Princeton, 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, board or department of the State of West Virginia that succeeds to the functions of the Council.

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

"Facilities" or "waterworks and 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 therefore, hereafter at any time constructed or acquired.

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

"First Lien Bonds" means, collectively, Series 1987 A Bonds, Series 1992 Bonds, Series 1999 Bonds, Series 2002 Bonds, the Series 2003 A Bonds and the Series 2005 A Bonds.

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

"Governing Body" means the Public Service Board of the Issuer, as it may now or hereafter be constituted.

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

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

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

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

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

"Investment Property" means

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

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

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

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

"Issuer" means Red Sulphur Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia, in Monroe 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 July 16, 2002, providing for the purchase of the Series 2006 A Bonds from the Issuer by the Purchaser, and any and all amendments thereto.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2006 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 respective Series 2006 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in any Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2006 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the forgoing, 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 principals and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year a 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 the Prior Bonds and into the Reserve Accounts, the Renewal and Replacement Fund and the other funds and accounts established by Article V hereof have been made to the last monthly payment date prior to the date of such retention.

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

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

"Paying Agent" means the Commission or such other entity or authority as may be designated as a Paying Agent for the Series 2006 B Bonds by the Issuer in the Supplemental Resolution.

"Prior Bonds" means collectively, the First Lien Bonds and the Subordinate Bonds, as more particularly described in Section 1.02(H) hereof.

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

"Purchaser" or "Government" means the United States Department of Agriculture and any successor thereof acting for and on behalf of the United States of America, which is expected to be the original purchaser and Registered Owner of the Series 2006 A 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 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 exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2006 Bonds and the Prior Bonds.

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

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

"RUS Bonds" means the Series 2003 A Bonds, Series 2002 A Bonds, Series 1999 Bonds and the Series 1992 Bonds.

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

"Series 1987 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $738,647.

"Series 1987 B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173.

"Series 1992 Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (United States Department of Agriculture), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000.

"Series 1999 Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500.

"Series 2002 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500.

"Series 2003 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000.

"Series 2005 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $2,687,190.

"Series 2006 Bonds" means, collectively, the Series 2006 A Bonds and the Series 2006 B Bonds.

"Series 2006 Bonds Construction Trust Fund" means the Series 2006 Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2006 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), of the Issuer, authorized by this Resolution.

"Series 2006 A Bonds Reserve Account" means the Series 2006 A Bonds Reserve Account established by Section 5.02 hereof.

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

"Series 2006 B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), of the Issuer authorized by this Resolution.

"Series 2006 B Bonds Reserve Account" means the Series 2006 B Bonds Reserve Account established by Section 5.02 hereof.

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

"Series 2006 B Bonds Sinking Fund" means the Series 2006 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Subordinate Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (West Virginia Water Development Authority), dated November 16, 1987, issued in the original aggregate principal amount of $181,173.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2006 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2006 Bonds, and not so included may be included in another Supplemental Resolution.

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

"System" means the complete existing waterworks and sewerage system of the Issuer and all waterworks and 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 waterworks and sewerage system; and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks and 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" or "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31,

Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $6,698,000, 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 hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Purchaser, the Authority and the Council.

The estimated maximum cost of the acquisition and construction of the Project is $6,698,000 comprised of the following loans and grants: the proceeds of sale of the Series 2006 A Bonds in the amount of $1,026,000; the proceeds of sale of the Series 2006 B Bonds in the amount of $473,000; a grant of $1,974,000 from the Purchaser; a grant of $1,225,000 from the Council; a grant of $1,000,000 from the West Virginia Governor's Contingency Fund; a $500,000 Small Cities Block Grant; and an additional $500,000 Small Cities Block Grant.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2006 Bonds, if any, funding reserve accounts for the Series 2006 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2006 A Bonds and the Series 2006 B Bonds of the Issuer. The Series 2006 A Bonds shall be issued as a single bond, designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture)," in the principal amount of not more than $1,026,000 and the Series 2006 B Bonds shall be issued as a single bond, designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund)," in the principal amount of not more than $473,000, and each shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2006 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2006 Bonds, if any, shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds.

A. The Series 2006 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable monthly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2006 A Bond.

B. The Series 2006 B Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2006 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, if any, on the Series 2006 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 2006 A Bonds shall initially be issued in the form of a single bond, fully registered to the Purchaser, with a record of advances attached, representing the aggregate principal amount of the Series 2006 A Bonds. The Series 2006 B Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2006 B Bonds, all as provided in the Supplemental Resolution. The Series 2006 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that neither the Purchaser nor the Authority shall be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2006 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2006 Bonds shall cease to be such officer of the Issuer before the Series 2006 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Bond Registrar; Authentication and Registration.

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

The Bond Registrar shall accept the Series 2006 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 2006 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 2006 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 2006 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 2006 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 2006 B Bonds shall be conclusive evidence that such Series 2006 B Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2006 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 2006 B Bonds issued hereunder. The provisions of this Section 3.04 relating to authentication shall not apply to the Series 2006 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 2006 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2006 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2006 Bonds remain outstanding, the Bond Registrar for the Series 2006 Bonds shall keep and maintain books for the registration and transfer of such Bonds.

The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly

authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2006 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2006 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2006 Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2006 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all Series 2006 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on Net

Revenues in favor of the holders of the First Lien Bonds and senior and prior to the Subordinate Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2006 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds.

A. With respect to the Series 2006 A Bonds, the Chairman is hereby authorized and directed to cause such Bonds, hereby awarded to the Purchaser pursuant to the Letter of Conditions, to be delivered to the Purchaser on the date of delivery.

B. The Issuer shall execute and deliver the Series 2006 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2006 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 2006 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 2006 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 2006 B Bonds.

Section 3.10. Form of Bonds. The text of the Series 2006 A Bonds and the Series 2006 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 2006 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE
SYSTEM REVENUE BOND, SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 Date: _____, 2006

FOR VALUE RECEIVED, RED SULPHUR 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 _____ DOLLARS (_____), plus interest on the unpaid principal balance at the rate of _____ % per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this 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 acquisition and construction of improvements and extensions to the existing public waterworks and 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 an indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of

Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted on _____, 2006, and a Supplemental Resolution of the Borrower duly adopted on _____, 2006, authorizing issuance of this Bond (collectively, the "Resolution").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act of 1965. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

(1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 11, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,150,000;
(2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000;
(3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500;

(4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED MAY 20, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500;
(5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000;
(6) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647; (COLLECTIVELY, THE "FIRST LIEN BONDS") AND
(7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 6, 2006, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $473,000.

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE 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.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman
(Title of Executive Official)

_____
(P.O. Box No. or Street Address)

_____
(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

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

Dated: _____,2____.

_____

In presence of:

_____

(FORM OF SERIES 2006 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE
SYSTEM REVENUE BOND, SERIES 2006 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-1 $_____,

KNOW ALL MEN BY THESE PRESENTS: That on the __ day of _____, 2006, RED SULPHUR PUBLIC SERVICE DISTRICT, a public service district and public corporation and political subdivision of the State of West Virginia in Monroe 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, _____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 2006.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public waterworks and 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

waterworks and 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 _____, 2006, and a Supplemental Resolution duly adopted by the Issuer on _____, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

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

(1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 11, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,150,000;
(2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000;
(3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500;
(4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED MAY 20, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500;
(5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000;
(6) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647; (COLLECTIVELY, THE "FIRST LIEN BONDS") AND
(7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 6, 2006, ISSUED

CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,026,000.

THIS BOND IS SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 2006 A Bonds and the First Lien Bonds, and senior and prior to the Subordinate Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2006 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2006 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 120% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, so long as the Series 2006 A Bonds and the First Lien Bonds held by the Rural Utilities Service (the "RUS Bonds") are outstanding, and thereafter, 115% of such amount; provided that, when the Series 2006 A Bonds and the RUS Bonds are no longer outstanding and so long as there exists in the Series 2006 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, an amount at least equal to the requirement therefore, 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 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, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman, and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the date first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2006 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: _____, 2006.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

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: _____, 2____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement.

A. The Series 2006 A Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions, including all attachments, are hereby approved and incorporated into this Bond Legislation.

B. The Series 2006 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

(3) Series 2006 Bonds Construction Trust Fund.

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

(1) Series 2006 A Bonds Reserve Account;

(2) Series 2006 B Bonds Sinking Fund; and

(3) Series 2006 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, on or before the due date thereof, transfer from the Revenue Fund and remit (i) to the National Finance Office the amounts required by the Prior Resolutions to pay the interest on the RUS Bonds and the amounts required to pay interest on the Series 2006 A Bonds; and (ii) on the first day of each month to the Commission, for deposit in the Series 1987 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay interest on the Series 1987 A Bonds.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and (i) on or before the due date thereof, remit to the National Finance Office the amounts required by the Prior Resolutions to pay the principal of the RUS Bonds; (ii) on or before the due date thereof, remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2006 A Bonds, the amount required to amortize the principal of the Series 2006 A Bonds over the life of the bond issue; (iii) on the first day of each month to the Commission for deposit in the respective sinking funds, the amounts required by the Prior Resolutions to pay the principal of the Series 1987 A Bonds and the Series 2005 A Bonds; and (iv) on the first day of each month, remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2006 B Bonds, for deposit in the Series 2006 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2006 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 2006 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Commission or Depository Bank, as applicable, the amounts required by the Prior Resolutions to be deposited in the Reserve Funds for the First Lien 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 2006 A Bonds, for deposit in the Series 2006 A Bonds Reserve Account, an amount equal to 10% of the monthly payment amount, until the amount in the Series 2006 A Bonds Reserve Account equals the Series 2006 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there

shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 A Bonds Reserve Requirement; 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 2006 B Bonds, for deposit in the Series 2006 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 B Bonds Reserve Requirement, until the amount in the Series 2006 B Bonds Reserve Account equals the Series 2006 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 B Bonds Reserve Requirement.

(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. 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 moneys in the Revenue Fund have been fully complied with, the Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Sinking Fund, the amounts required by Prior Resolutions for the payment of principal and interest on the Series 1987 B Bonds.

(7) The Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Reserve Account, the amount required by the Resolutions to be deposited therein.

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

Monies in the Series 2006 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2006 A Bonds as the same shall come due, when other monies are insufficient therefor, and for no other purpose. Whenever the monies in the Series 2006 A Bonds Reserve Account shall be sufficient to prepay the Series 2006 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2006 A Bonds, together with accrued interest thereon to such prepayment date.

Monies in the Series 2006 B Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Series 2006 B Bonds as the same shall become due. Monies in the Series 2006 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2006 B Bonds as the same shall come due, when other monies in the Series 2006 B Bonds Sinking Fund are insufficient therefor, and for no other purpose. Whenever the monies in the Series 2006 B Bonds Reserve Account shall be sufficient to prepay the Series 2006 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2006 B Bonds and accrued interest, if any, thereon to such prepayment date.

All investment earnings on monies in the Series 2006 A Bonds Reserve Account (if fully funded), the Series 2006 B Bonds Sinking Fund and the Series 2006 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 2006 Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2006 A Bonds and the Series 2006 B Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2006 A Bonds Reserve Account or the Series 2006 B Bonds Reserve Account which result in a reduction in the balance of such accounts to below the Series 2006 A Bonds Reserve Requirement or the Series 2006 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 2006 A Bonds Reserve Account or the Series 2006 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, if any, to accrue until the maturity thereof.

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

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

The Commission is hereby designated as the fiscal agent for the administration of the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 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 Council at any time, the Issuer shall make the necessary arrangements whereby required payments into the said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2006 A Bonds and the Series 2006 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.

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

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

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

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

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

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

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

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

J. All Tap Fees shall be deposited by the Issuer, as received, in the Series 2006 Bonds Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2006 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2006 A Bonds, there shall be deposited with the Commission in the Series 2006 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2006 A Bonds Reserve Account.

B. From the proceeds of the Series 2006 B Bonds, there shall be deposited with the Commission in the Series 2006 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2006 B Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2006 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2006 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2006 A Bonds.

D. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2006 B Bonds, such monies shall be deposited with the Depository Bank in the Series 2006 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2006 B Bonds.

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 2006 A Bonds shall be expended as directed by the Purchaser and any remaining proceeds of the Series 2006 B Bonds shall be expended as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

A. The proceeds of the Series 2006 A Bonds in the Series 2006 Bonds Construction Trust Fund shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

B. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project from the Series 2006 B Bonds shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements of proceeds of the Series 2006 B Bonds from the Series 2006 Bonds Construction Trust Fund shall be made only after submission to the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

The Issuer shall expend all proceeds of the Series 2006 B Bonds within 3 years of the date of the issuance of the Council's Bonds, the proceeds of which were used to make the loan to the Issuer.

Pending such application, monies in the Series 2006 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2006 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2006 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2006 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2006 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2006 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all the Series 2006 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the holders of the First Lien Bonds, and senior and prior to the Subordinate Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2006 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the sewerage portion 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 February 2, 2006, Case No. 05-1007-PSD-CN, which Final Order is incorporated herein by reference as a part hereof. The initial schedule of rates and charges for the waterworks portion of the System is set forth in the Final Order of the Public Service Commission of West Virginia, entered on August 9, 2005 in Case No. 05-0030-PWD-19A, and such rates are hereby adopted, which rates are incorporated herein by reference as a part hereof.

So long as the Prior Bonds and the Series 2006 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2006 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the provisions governing the sale of the System, or any part thereof, shall be as set forth and described in the Prior Resolutions; and the System may not be sold, mortgaged, leased or otherwise disposed of unless the Issuer has obtained the written consent of the Purchaser, the Authority and the Council, as applicable bondholders. Further, so long as the Series 2006 Bonds are outstanding and except as otherwise required by law, and with the written consent of the Purchaser, the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2006 A, immediately be remitted to the National Finance Office, and with respect to the Series 2006 B Bonds, immediately be remitted to the Commission for deposit in the Series 2006 B Bonds Sinking Fund, and, with the written consent of the Purchaser, the Authority and the Council, the Issuer shall direct the National Finance Office and the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2006 Bonds. Any balance remaining after the payment of all the Series 2006 Bonds and interest, if any, thereon shall be remitted to the Issuer unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

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

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds. All obligations issued by the Issuer after the issuance of the Bonds and

payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior 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 2006 Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority, the Council and the Purchaser and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2006 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the design, 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 and Prior 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 RUS Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the RUS Bonds are no longer outstanding, the following parity requirement shall be met:

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 and Prior Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from 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 First Lien Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2006 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2006 Bonds.

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

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Purchaser, the Authority and the Council or their agents and representatives, to

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

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

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

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

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

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2006 Bonds and shall submit said report to the Purchaser, the Authority and the Council, or any other original purchaser of the Series 2006 Bonds. Such audit report submitted to the Purchaser, the Authority and the Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

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

accomplish all of the powers and rights of the Authority, the Council and the Purchaser with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2006 Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 120% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2006 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 2006 Bonds, including the Prior Bonds, so long as the Series 2006 A Bonds and the First Lien Bonds held by the Rural Utilities Service (the "RUS Bonds") are outstanding, and thereafter, 115% of such amount; provided that, when the Series 2006 A Bonds and the RUS Bonds are no longer outstanding and so long as there exists in the Series 2006 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Series 2006 B 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 or junior to the Series 2006 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefore, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2006 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity or junior to the Series 2006 B Bonds, including the Prior Bonds, which are not RUS Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding

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

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

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

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Purchaser, the Authority and the Council covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the

plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Purchaser, the Authority, the Council and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

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

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

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

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

similar termination agreement with the provider of such sewerage service, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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

Section 7.15. Insurance and Construction Bonds.

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

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

the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Purchaser, the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

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

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

Section 7.16. Connections. 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 Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

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

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

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2006 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2006 Bonds during the term thereof is, under the terms of the Series 2006 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2006 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2006 Bonds during the term thereof is, under the terms of the Series 2006 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not

to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2006 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2006 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2006 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2006 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. To the extent legally required, the Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2006 Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2006 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

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

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2006 Bonds, a statutory mortgage lien upon the System is

granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2006 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the First Lien Bonds and senior to the Subordinate Bonds.

Section 7.22. Contracts; Public Releases.

A. The Issuer shall, simultaneously with the delivery of the Series 2006 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Purchaser and the Council for written approval. The Issuer shall obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2006 Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2006 Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS; USE OF PROCEEDS

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

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

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

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other

similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2006 Bonds as a condition to issuance of the Series 2006 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2006 Bonds as may be necessary in order to maintain the status of the Series 2006 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2006 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2006 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2006 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2006 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2006 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2006 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2006 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the First Lien 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 2006 Bonds or the First Lien Bonds, it shall constitute an "Event of Default" with respect to the other series of the Series 2006 Bonds.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and

collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2006 A Bonds and the Series 2006 B Bonds shall be on a parity with each other and the First Lien Bonds.

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

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

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

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

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

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2006 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2006 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied; except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2006 Bonds from gross income for federal income tax purposes.

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

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2006 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2006 Bonds, no material modification or amendment of this Resolution, or of any resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2006 Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2006 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest, if any, on the Series 2006 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2006 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution or the Series 2006 Bonds.

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

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

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

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

Adopted this 2nd day of November, 2006.

RED SULPHUR PUBLIC SERVICE DISTRICT

By: Dennis Libold
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of RED SULPHUR PUBLIC SERVICE DISTRICT on November 2, 2006.

Dated: November 6, 2006.

[SEAL]

Secretary

10.20.06
742910/00004

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A,
(United States Department of Agriculture), and
Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B,
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), AND THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF RED SULPHUR PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2006 B BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2006 A BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE AND THE SERIES 2006 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 Red Sulphur Public Service District (the "Issuer") has duly and officially adopted a bond resolution on November 2, 2006 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST,

NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,026,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), AND NOT MORE THAN $473,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 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 THE LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture) and Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 2006 A Bonds and the "Series 2006 B Bonds"), in the respective aggregate principal amounts not to exceed $1,026,000 and $473,000, and has authorized the execution and delivery of the loan agreement relating to the Series 2006 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 amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Series 2006 A Bonds are proposed to be purchased by the United States Department of Agriculture, acting for and on behalf of the United States of America (the "Purchaser") pursuant to a Letter of Conditions, and all amendments, and the Series 2006 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;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF RED SULPHUR 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. Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered AR-1 in the principal amount of $1,026,000. The Series 2006 A Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 4.375% per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 2006 A Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of $4,628 on the corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of the Series 2006 A Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2006 A Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2006 A Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

B. Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $473,000. The Series 2006 B Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2046, and shall bear no interest. The principal of the Series 2006 B Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2027, and maturing September 1, 2046, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2006 B

Bonds. The Series 2006 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 2006 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 Issuer does hereby authorize, approve and accept the Letter of Conditions, and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2006 A Bonds and the Series 2006 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 2006 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 2006 B Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate First Community Bank, Peterstown, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. All proceeds of the Series 2006 A Bonds shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund as received from the Purchaser from time to time for payment of costs of the Project, including, without limitation, capitalized interest and costs of issuance of the Series 2006 A.

Section 8. Series 2006 B Bonds proceeds in the amount of -0- shall be deposited in the Series 2006 B Bonds Sinking Fund, as capitalized interest.

Section 9. Series 2006 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2006 B Bonds Reserve Account.

Section 10. The balance of the proceeds of the Series 2006 B Bonds shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2006 A and Series 2006 B Bonds may be delivered on or about November 6, 2006, to the Purchaser pursuant to the Letter of Conditions, and the Series 2006 B Bonds may be delivered on or about November 6, 2006, to the Authority pursuant to the Loan Agreement.

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

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, subject to any limitation of the Purchaser with respect of the proceeds of the Bonds, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Sinking Fund and the Series 2006 B Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

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

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

Adopted this 2nd day of November, 2006.

RED SULPHUR PUBLIC SERVICE DISTRICT

By: Dennis Liball

Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by RED SULPHUR PUBLIC SERVICE DISTRICT on the 2nd day of November, 2006.

Dated: November 6, 2006.

[SEAL]

Secretary

10.24.06
742910.00004

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A,
(United States Department of Agriculture), and
Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B,
(West Virginia Infrastructure Fund)

SECOND 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 COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), AND THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF RED SULPHUR PUBLIC SERVICE DISTRICT AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Red Sulphur Public Service District (the "Issuer") has duly and officially adopted a bond resolution on November 2, 2006 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,026,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), AND NOT MORE THAN $473,000 IN AGGREGATE PRINCIPAL AMOUNT OF

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 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 THE LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A (United States Department of Agriculture) and Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 2006 A Bonds and the "Series 2006 B Bonds"), in the respective aggregate principal amounts not to exceed $1,026,000 and $473,000, and has authorized the execution and delivery of the loan agreement relating to the Series 2006 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 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 Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted.

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

Section 1. Pursuant to the Bond Resolution and the Act, this Second Supplemental Resolution is adopted.

Section 2. Article V Section 5.03A Paragraph 4 of the Resolution is hereby amended in its entirety to read as follows:

> (4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Commission or Depository Bank, as applicable, the amounts required by the Prior Resolutions to be deposited in the Reserve Funds for the First Lien Bonds; (ii) beginning on the date specified by the purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission, for deposit in the Series 2006 A Bonds Reserve Account, an amount equal to 10% of the monthly payment amount, until the amount in the Series 2006 A Bonds Reserve Account equals the Series 2006 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 A Bonds Reserve Requirement; 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 2006 B Bonds, for deposit in the Series 2006 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 B Bonds Reserve Requirement, until the amount in the Series 2006 B Bonds Reserve Account equals the Series 2006 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 B Bonds Reserve Requirement.

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

Adopted this 16th day of January, 2007

RED SULPHUR PUBLIC SERVICE DISTRICT

By: Dennis Liberty

Its: Chairman

CERTIFICATION

Certified a true copy of a Second Supplemental Resolution duly adopted by RED SULPHUR PUBLIC SERVICE DISTRICT on the 16th day of January, 2007

Dated: January 16, 2007

[SEAL]

Secretary

01.09.07
742910.00004

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE
SYSTEM REVENUE BOND, SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 Date: November 6, 2006

FOR VALUE RECEIVED, RED SULPHUR 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 ONE MILLION TWENTY SIX THOUSAND DOLLARS ($1,026,000), plus interest on the unpaid principal balance at the rate of 4.375% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $4,628, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for

financing costs of acquisition and construction of improvements and extensions to the existing public waterworks and 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 an indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted on November 2, 2006, and a Supplemental Resolution of the Borrower duly adopted on November 2, 2006, authorizing issuance of this Bond (collectively, the "Resolution").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act of 1965. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

(1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 11, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,150,000;
(2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000;
(3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500;
(4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED MAY 20, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500;
(5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000;
(6) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647; (COLLECTIVELY, THE "FIRST LIEN BONDS") AND
(7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 6, 2006, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $473,000.

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE 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.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

Dennis Liboll
(Signature of Executive Official)

Chairman
(Title of Executive Official)

P.O. Box 69
(P.O. Box No. or Street Address)

Peterstown, West Virginia 24963
(City, State and Zip Code)

ATTEST:

SPECIMEN

(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

RECORD OF ADVANCES

AMOUNT	DATE		AMOUNT	DATE
(1) $20,000	11.06.06	(19)		
(2)		(20)		
(3)		(21)		
(4)		(22)		
(5)		(23)		
(6)		(24)		
(7)		(25)		
(8)		(26)		
(9)		(27)		
(10)		(28)		
(11)		(29)		
(12)		(30)		
(13)		(31)		
(14)		(32)		
(15)		(33)		
(16)		(34)		
(17)		(35)		
(18)		(36)		
		TOTAL	$	

(Form of)

ASSIGNMENT

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

Dated: _____, 2____.

_____

In presence of:

_____

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW
Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

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

Writer's Contact Information

November 6, 2006

Red Sulphur Public Service District
Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

Red Sulphur Public Service District
Peterstown, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Red Sulphur Public Service District in Monroe County, West Virginia (the "Issuer"), of its $1,026,000 Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 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"), a Bond Resolution duly adopted by the Issuer on November 2, 2006, and a Supplemental Resolution duly adopted by the Issuer on November 2, 2006 (collectively, the "Bond Legislation"). We have examined the law and such certified copies of 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 Bond Legislation and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with full power to adopt and enact the Bond Legislation, perform the agreements on its part contained therein and issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Bond Legislation has been duly and effectively adopted and enacted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Bond Legislation creates a valid lien on the funds pledged by the Bond Legislation for the security of the Bonds, on a parity with the Issuer's (1) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated August 11, 2005, issued in the original aggregate principal amount of $4,150,000 (the "2005 A Bonds"), (2) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000 (the "2003 A Bonds"), (3) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original

aggregate principal amount of $1,538,500 (the "2002 A Bonds"), (4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500 (the "1999 Bonds"), (5) Combined Waterworks and Sewerage System Revenue Bonds, Series 1992, dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000, and held by the Purchaser (the "1992 Bonds"), (6) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, dated November 16, 1987, issued in the original aggregate principal amount of $738,647, and held by the West Virginia Water Development Authority (the "1987 A Bonds"), and (7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2006 B (West Virginia Infrastructure Fund), dated November 8, 2006, issued concurrently herewith in the original aggregate principal amount of $473,000; and senior and prior to the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 16, 1987, issued in the original aggregate principal amount of $181,173.

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 Bond Legislation.

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

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

Very truly yours,

STEPTOE & JOHNSON PLLC

10.20.06
742910.00004

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE
SYSTEM REVENUE BOND, SERIES 2006 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

SPECIMEN

No. BR-1 $473,000

KNOW ALL MEN BY THESE PRESENTS: That on the 6th day of November, 2006, RED SULPHUR PUBLIC SERVICE DISTRICT, a public service district and public corporation and political subdivision of the State of West Virginia in Monroe 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 FOUR HUNDRED SEVENTY THREE THOUSAND DOLLARS ($473,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2027, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated November 6, 2006.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public waterworks and 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 waterworks

and 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 November 2, 2006, and a Supplemental Resolution duly adopted by the Issuer on November 2, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

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

(1) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 11, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $4,150,000;
(2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000;
(3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500;
(4) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE) DATED MAY 20, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500;
(5) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000;
(6) THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647; (COLLECTIVELY, THE "FIRST LIEN BONDS") AND

(7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 6, 2006, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,026,000.

THIS BOND IS SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 2006 A Bonds and the First Lien Bonds, and senior and prior to the Subordinate Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2006 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2006 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 120% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, so long as the Series 2006 A Bonds and the First Lien Bonds held by the Rural Utilities Service (the "RUS Bonds") are outstanding, and thereafter, 115% of such amount; provided that, when the Series 2006 A Bonds and the RUS Bonds are no longer outstanding and so long as there exists in the Series 2006 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with or junior to the Bonds, including the Prior

Bonds, an amount at least equal to the requirement therefore, 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 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, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman, and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the date first written above.

[SEAL]

Chairman

SPECIMEN

ATTEST:

Secretary

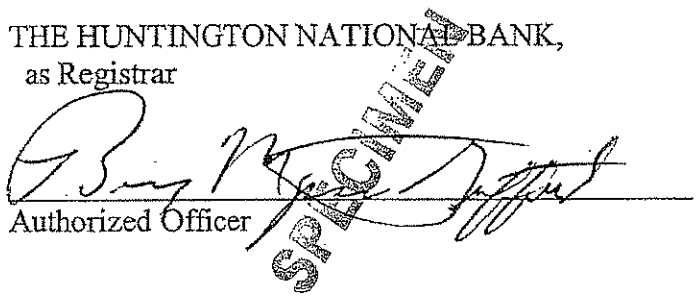
SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2006 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: November 6, 2006.

THE HUNTINGTON NATIONAL BANK,
as Registrar



Authorized Officer

SPECIMEN

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $8,500	11.06.06	(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

$473,000

Red Sulphur Public Service District (West Virginia)
0% Interest Rate, 40 Years from Closing Date
Closing Date: November 6, 2006

Sources & Uses

Dated 11/06/2006 | Delivered 11/06/2006

Sources Of Funds	
Par Amount of Bonds	$473,000.00
Total Sources	**$473,000.00**

Uses Of Funds	
Deposit to Project Construction Fund	473,000.00
Total Uses	**$473,000.00**

$473,000

Red Sulphur Public Service District (West Virginia)
0% Interest Rate, 40 Years from Closing Date
Closing Date: November 6, 2006

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Total P+I
06/01/2027	6,065.00	-	6,065.00
09/01/2027	6,065.00	-	6,065.00
12/01/2027	6,065.00	-	6,065.00
03/01/2028	6,065.00	-	6,065.00
06/01/2028	6,065.00	-	6,065.00
09/01/2028	6,065.00	-	6,065.00
12/01/2028	6,065.00	-	6,065.00
03/01/2029	6,065.00	-	6,065.00
06/01/2029	6,064.00	-	6,064.00
09/01/2029	6,064.00	-	6,064.00
12/01/2029	6,064.00	-	6,064.00
03/01/2030	6,064.00	-	6,064.00
06/01/2030	6,064.00	-	6,064.00
09/01/2030	6,064.00	-	6,064.00
12/01/2030	6,064.00	-	6,064.00
03/01/2031	6,064.00	-	6,064.00
06/01/2031	6,064.00	-	6,064.00
09/01/2031	6,064.00	-	6,064.00
12/01/2031	6,064.00	-	6,064.00
03/01/2032	6,064.00	-	6,064.00
06/01/2032	6,064.00	-	6,064.00
09/01/2032	6,064.00	-	6,064.00
12/01/2032	6,064.00	-	6,064.00
03/01/2033	6,064.00	-	6,064.00
06/01/2033	6,064.00	-	6,064.00
09/01/2033	6,064.00	-	6,064.00
12/01/2033	6,064.00	-	6,064.00
03/01/2034	6,064.00	-	6,064.00
06/01/2034	6,064.00	-	6,064.00
09/01/2034	6,064.00	-	6,064.00
12/01/2034	6,064.00	-	6,064.00
03/01/2035	6,064.00	-	6,064.00
06/01/2035	6,064.00	-	6,064.00
09/01/2035	6,064.00	-	6,064.00
12/01/2035	6,064.00	-	6,064.00
03/01/2036	6,064.00	-	6,064.00
06/01/2036	6,064.00	-	6,064.00
09/01/2036	6,064.00	-	6,064.00
12/01/2036	6,064.00	-	6,064.00
03/01/2037	6,064.00	-	6,064.00
06/01/2037	6,064.00	-	6,064.00
09/01/2037	6,064.00	-	6,064.00
12/01/2037	6,064.00	-	6,064.00
03/01/2038	6,064.00	-	6,064.00
06/01/2038	6,064.00	-	6,064.00
09/01/2038	6,064.00	-	6,064.00
12/01/2038	6,064.00	-	6,064.00
03/01/2039	6,064.00	-	6,064.00
06/01/2039	6,064.00	-	6,064.00
09/01/2039	6,064.00	-	6,064.00

$473,000

Red Sulphur Public Service District (West Virginia)
0% Interest Rate, 40 Years from Closing Date
Closing Date: November 6, 2006

Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Total P+I
12/01/2039	6,064.00	-	6,064.00
03/01/2040	6,064.00	-	6,064.00
06/01/2040	6,064.00	-	6,064.00
09/01/2040	6,064.00	-	6,064.00
12/01/2040	6,064.00	-	6,064.00
03/01/2041	6,064.00	-	6,064.00
06/01/2041	6,064.00	-	6,064.00
09/01/2041	6,064.00	-	6,064.00
12/01/2041	6,064.00	-	6,064.00
03/01/2042	6,064.00	-	6,064.00
06/01/2042	6,064.00	-	6,064.00
09/01/2042	6,064.00	-	6,064.00
12/01/2042	6,064.00	-	6,064.00
03/01/2043	6,064.00	-	6,064.00
06/01/2043	6,064.00	-	6,064.00
09/01/2043	6,064.00	-	6,064.00
12/01/2043	6,064.00	-	6,064.00
03/01/2044	6,064.00	-	6,064.00
06/01/2044	6,064.00	-	6,064.00
09/01/2044	6,064.00	-	6,064.00
12/01/2044	6,064.00	-	6,064.00
03/01/2045	6,064.00	-	6,064.00
06/01/2045	6,064.00	-	6,064.00
09/01/2045	6,064.00	-	6,064.00
12/01/2045	6,064.00	-	6,064.00
03/01/2046	6,064.00	-	6,064.00
06/01/2046	6,064.00	-	6,064.00
09/01/2046	6,064.00	-	6,064.00
Total	**$473,000.00**	**-**	**$473,000.00**

Yield Statistics

Bond Year Dollars	$14,281.90
Average Life	30.194 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	-1.16E-12
Bond Yield for Arbitrage Purposes	-1.16E-12
All Inclusive Cost (AIC)	-1.16E-12

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	30.194 Years

(Form of)

ASSIGNMENT

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

Dated: _____, 2____.

_____

In the presence of:

_____

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE PAYMENT OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN NOTES, SERIES 1998 (WEST VIRGINIA INFRASTRUCTURE FUND) AND AUTHORIZING THE FINANCING OF THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $4,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 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 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 RED SULPHUR 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. Red Sulphur Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Monroe County of said State.

B. The Issuer presently owns and operates a public combined waterworks and 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 extensions, additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer consisting of increasing plant capacity from .223 million gallons per day (mgd) to .75 mgd, upgrading portions of existing collection lines and construction of additional collection lines to serve additional customers in the Red Sulphur District and the Town of Peterstown, together with all appurtenant facilities (collectively, the "Project") (the existing public combined waterworks and sewerage system of the Issuer, the Project and any further extensions, additions, betterments and improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer has heretofore temporarily financed the design of the Project by the issuance of the Combined Waterworks and Sewerage System Design Notes, Series 1998 (West Virginia Infrastructure Fund), dated June 15, 1998, issued in the original aggregate principal amount of $180,600 (the "Prior Notes").

D. The Prior Notes were issued pursuant to a resolution of the Issuer previously adopted for such purpose (such resolution, as so amended and supplemented, is here called the "Prior Note Resolution").

E. It is deemed necessary and desirable for the Issuer to refund the Prior Notes to effect the release and termination of certain restrictions, conditions and limitations imposed in the Prior Note Resolution.

F. The Issuer intends to refund the Prior Notes and 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.

G. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), in the total aggregate principal amount of not more than $4,150,000 (the "Series 2005 A Bonds"), to refund the Prior Notes and 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. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2005 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2005 A Bonds Reserve Account (as hereinafter defined); the costs of refunding the Prior Notes;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 2005 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 2005 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

I. It is in the best interests of the Issuer that its Series 2005 A Bonds be sold to the Authority pursuant to the terms and provisions of the loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the Issuer, the Authority and the Council (the "Loan Agreement"), to be approved hereby if not previously approved by resolution of the Issuer.

J. Upon payment of the Prior Notes, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2005 A Bonds as to liens, pledge and source of and security for payment, being the (i) Combined Waterworks and Sewerage

System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000; (ii) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500; (iii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500; (iv) Combined Waterworks and Sewerage System Revenue Bonds, Series 1992, dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000; (v) an assumed Waterworks Loan, dated November 10, 1977, issued in the original aggregate principal amount of $36,000; (vi) an assumed Waterworks Loan, dated May 3, 1967, issued in the original aggregate principal amount of $50,290, all of which are held by the Rural Utilities Service; and (vii) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, dated November 16, 1987, issued in the original aggregate principal amount of $738,647, held by the Authority (collectively, the "First Lien Bonds"). The Series 2005 A Bonds will be senior and prior, as to liens, pledge and source of and security for payment, to the Issuer's (i) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 16, 1987, issued in the original aggregate principal amount of $181,173 (the "Subordinate Bonds"), held by the Authority. The First Lien Bonds and Subordinate Bonds are sometimes collectively herein referred to as the "Prior Bonds".

Prior to the issuance of the Series 2005 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Lien Bonds are met; (ii) the written consent of the Holders of the First Lien Bonds to the issuance of the Series 2005 A Bonds on a parity with the First Lien Bonds; and (iii) the written consent of the Holders of the Subordinate Bonds to the issuance of the Series 2005 A Bonds on a senior and prior basis to the Subordinate Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

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

L. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2005 A Bonds, 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 Series 2005 A Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2005 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 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 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2005 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2005 A Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2005 A Bonds for all or a portion of the proceeds of the Series 2005 A Bonds from the Authority.

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

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

"Consulting Engineers" means Pentree Incorporated, Princeton, 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.

"Costs" or "Costs of the Project" means those costs described in Section 1.02G 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 successor thereto.

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

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

"First Lien Bonds" means, collectively, the Series 1967 Water Loan, the Series 1977 Water Loan, Series 1987A Bonds, Series 1992 Bonds, Series 1999 Bonds, Series 2002 A Bonds, and the Series 2003 A Bonds.

"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 hereinafter 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.

"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.

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

"Loan Agreement" means, collectively, the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2005 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 2005 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2005 A Bonds 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 Series 2005 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 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 principals and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that all monthly amortization payments upon the Bonds and the Prior Bonds and into the Reserve Accounts, the Renewal and Replacement Fund and the other funds and accounts established by Article V hereof have been made to the last monthly payment date prior to the date of such retention.

"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 Bond canceled by the Bond Registrar or Registrar for Prior Bonds, at or prior to said date; (ii) any Bond or any Prior Bond for the payment of which monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; (iv) any Prior Bond deemed to have been paid; and (v) for purposes of consents or other action by a specified percentage of Bondholders or Holders of any Prior Bond, any Bond or any Prior Bond 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 2005 A Bonds by the Issuer in the Supplemental Resolution.

"Prior Bonds" means, collectively, the First Lien Bonds and the Subordinate Bonds, as more fully defined and described in Section 1.02J hereof.

"Prior Notes" means the Issuer's Combined Waterworks and Sewerage System Design Notes, Series 1998 (West Virginia Infrastructure Fund), dated June 15, 1998, which will be paid in full with the proceeds of the Series 2005 A Bonds on the Closing Date.

"Prior Resolutions" means the resolutions of the Issuer, as supplemented by the supplemental 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 1.20B 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 agreement, 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 agreement either must mature as nearly as practicable coincident with the maturity of said repurchase agreement or must be replaced or increased so

that the market value thereof is always at least equal to the principal amount of said repurchase agreement, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

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

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

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective Reserve Accounts established for the Series 2005 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts to be on deposit in any Reserve Account for the Prior Bonds and the Series 2005 A Bonds.

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

"RUS Bonds" means the Series 2003 A Bonds, Series 2002 A Bonds, Series 1999 Bonds, Series 1992 Bonds, Series 1977 Water Loan and Series 1967 Water Loan.

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

"Series 1967 Water Loan" means the assumed Waterworks Loan, dated May 3, 1967, issued in the original aggregate principal amount of $50,290.

"Series 1977 Water Loan" means the assumed Waterworks Loan, dated November 10, 1977, issued in the original aggregate principal amount of $36,000.

"Series 1987 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, dated November 16, 1987, issued in the original aggregate principal amount of $738,647.

"Series 1992 Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1992, dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000.

"Series 1999 Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), dated May 20, 1999, issued in the original aggregate principal amount of $156,500.

"Series 2002 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated July 11, 2002, issued in the original aggregate principal amount of $1,538,500.

"Series 2003 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated July 21, 2003, issued in the original aggregate principal amount of $1,800,000.

"Series 2005 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Bond Legislation.

"Series 2005 A Bonds Construction Trust Fund" means the Series 2005 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2005 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2005 A Bonds in the then current or any succeeding year.

"Series 2005 A Bonds Sinking Funds" means the Series 2005 A Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Subordinate Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 16, 1987, issued in the original aggregate principal amount of $181,173.

"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 2005 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2005 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 or any other obligations of the Issuer, including, without limitation, all funds and accounts established or continued hereunder.

"System" means the existing combined waterworks and sewerage system of the Issuer, as expanded and improved by the Project, and includes the complete waterworks and sewerage system of the Issuer and all waterworks and 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 combined waterworks and sewerage system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the combined waterworks and sewerage system after the completion of the Project.

"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 Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND AUTHORIZATION OF REFUNDING

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 $6,169,160, 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 2005 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and has entered into or 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 not to exceed $6,169,160, of which not more than $4,150,000 will be obtained from proceeds of the Series 2005 A Bonds, and approximately $2,019,160 will obtained from a grant by the Council.

Section 2.02. Authorization of Refunding of the Prior Notes. There is hereby authorized and ordered the payment in full of the entire outstanding principal of and all accrued interest on the Prior Notes on the Closing Date. The cost of the refunding will be obtained from the proceeds of the Series 2005 A Bonds. Upon payment in full of the Prior Notes, any pledge in favor of the holders of the Prior Notes imposed by the Prior Notes Resolution are hereby ordered terminated, discharged and released.

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 refunding the Prior Notes, capitalizing interest on the Series 2005 A Bonds, funding a reserve account for the Series 2005 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 2005 A Bonds of the Issuer. The Series 2005 A Bonds shall be issued as a single bond, designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund)", in the principal amount of not more than $4,150,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2005 A Bonds remaining after funding of the Series 2005 A Bonds Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2005 A Bonds, if any, shall be deposited in or credited to the Series 2005 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 2005 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2005 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2005 A Bonds shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2005 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2005 A Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2005 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable,

corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2005 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 2005 A Bonds shall cease to be such officer of the Issuer before the Series 2005 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2005 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2005 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2005 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2005 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 2005 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2005 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2005 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2005 A Bonds or transferring the registered Series 2005 A Bonds are exercised, all Series 2005 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2005 A Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2005 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2005 A Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2005 A Bonds or, in the case of any proposed redemption of Series 2005 A Bonds, next preceding the date of the selection of Series 2005 A 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 2005 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 canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2005 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely

from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2005 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2005 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 2005 A Bonds shall be secured by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the First Lien Bonds and senior and prior to the Subordinate Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2005 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 to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2005 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2005 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2005 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2005 A Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2005 A Bonds.

Section 3.10. Form of Series 2005 A Bonds. The text of the Series 2005 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 2005 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That on this ____ day of _____, 2005, RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200_, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

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

This Bond is issued to: (i) refund the Combined Waterworks and Sewerage System Design Notes, Series 1998 (West Virginia Infrastructure Fund) (the "Prior Notes"), (ii) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer (the "Project"); and (iii) pay certain costs of issuance of the Bonds of this series (the "Bonds") and related costs. The existing public combined waterworks and sewerage system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2005, and a Supplemental Resolution duly adopted by the Issuer on _____, 2005 (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) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000; (2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500; (3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999, DATED MAY 20, 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE), ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500; (4) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992, DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000; (5) AN ASSUMED WATERWORKS LOAN, DATED NOVEMBER 10, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $36,000; (6) AN ASSUMED WATERWORKS LOAN, DATED MAY 3, 1967, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $50,290, ALL HELD BY THE RURAL UTILITIES SERVICE; AND (7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987A, DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647, HELD BY THE AUTHORITY (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE BONDS"), HELD BY THE AUTHORITY. THE FIRST LIEN BONDS AND SUBORDINATE BONDS ARE SOMETIMES COLLECTIVELY HEREIN 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 First Lien Bonds and senior and prior to the Subordinate Bonds, and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2005 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2005 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 120% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, so long as the Prior Bonds held by the Rural Utilities Service (the "RUS Bonds") are outstanding, and thereafter, 115% of such amount; provided that, when the RUS Bonds are no longer outstanding and so long as there exists in the Series 2005 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, RED SULPHUR 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 on 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 2005 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: _____, 2005.

THE HUNTINGTON NATIONAL BANK,
as Registrar

By:_____
Its: Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, 2005.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2005 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. "Amended Schedule" Filing. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the Council an amended 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 the Prior Resolutions) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

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

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

(3) Series 2005 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 2005 A Bonds Sinking Fund; and

(2) Series 2005 A Bonds Reserve Account

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and in the Prior 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 this Bond Legislation and in the Prior Resolutions. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the National Finance Office, the amounts required by the Prior

Resolutions to pay interest on the RUS Bonds; and (ii) to the Commission, for deposit in the Series 1987 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay interest on the Series 1987 A Bonds.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the National Finance Office, the amounts required by the Prior Resolutions to pay the principal of the RUS Bonds;(ii) to the Commission, for deposit in the Series 1987 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the principal of the Series 1987 A Bonds; and (iii) to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Sinking Fund, an amount equal to 1/3 of the amount of principal which will mature and become due on the Series 2005 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 2005 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Depository Bank, the amounts required by the Prior Resolutions to be deposited in the Reserve Accounts for the Series 1967 Water Loan, Series 1977 Water Loan, Series 1992 Bonds and Series 1999 Bonds; (ii) to the Commission, the amounts required by the Prior Resolutions to be deposited in the Reserve Accounts for the Series 1987 A Bonds, the Series 2002 A Bonds and the Series 2003 A Bonds; and (iii) to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2005 A Bonds, if not fully funded upon issuance of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2005 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2005 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 2005 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first dray of each month, transfer from the Revenue Fund to the Renewal and Replacement Fund, (i) the amounts required by the Prior Resolutions, so long as the RUS Bonds are outstanding, and (ii) an amount equal to 2 ½ % of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), so long as the Series 2005 A Bonds are outstanding, 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 the Prior Resolutions and Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System and as permitted under the Prior Resolutions; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such accounts have not, as of the date of determination of a deficiency, funded such accounts to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, the Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Sinking Fund, the amounts required by the 1987 Resolution for the payment of principal and interest on the 1987 B Bonds.

(7) The Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Reserve Account, the amount required by the 1987 Resolution to be deposited therein.

(8) 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 2005 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2005 A Bonds, as the same shall become due. Monies in the Series 2005 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2005 A Bonds as the same shall come due, when other monies in the Series 2005 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2005 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2005 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the respective Series 2005 A Bonds Reserve Account which result in a reduction in the balance of the Series 2005 A Bonds Reserve Account to below the Series 2005 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the priority set forth above.

As and when additional Bonds ranking on a parity with the Series 2005 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest, if any, 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 2005 A Bonds Sinking Fund or the Series 2005 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2005 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2005 A Bonds and the First Lien Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2005 A Bonds Sinking Fund and the Series 2005 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 the Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2005 A Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if such day is not a business day, then the first business day of each month), deposit with the Commission the required principal, interest and reserve account payments with respect to the Series 2005 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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

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

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

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

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

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

ARTICLE VI

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 2005 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2005 A Bonds, there shall first be deposited with the Commission in the Notes Payment Fund, the amounts required to pay in full the entire outstanding principal of and all accrued interest on the Prior Notes.

B. Next, from the proceeds of the Series 2005 A Bonds, there shall be deposited with the Commission in the Series 2005 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 2005 A Bonds for the period commencing on the date of issuance of the Series 2005 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 2005 A Bonds, there shall be deposited with the Commission in the Series 2005 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2005 A Bonds Reserve Account.

D. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2005 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2005 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2005 A 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 2005 A Bonds shall be applied 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 the costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2005 A Bonds Construction Trust Fund shall be made only after submission to the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

(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 2005 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 2005 A Bonds within 3 years of the date of issuance of the Council's Bonds, the proceeds of which were used to make the loan to the Issuer.

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 2005 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 2005 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 2005 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 2005 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Series 2005 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2005 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 2005 A Bonds shall be secured by a first lien on the Net Revenues derived from the operation of the System, on a parity with the lien on the Net Revenues in favor of the Holders of the First Lien Bonds and senior and prior to the Subordinate Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Prior Bonds and the Series 2005 A 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 Orders of the Public Service Commission of West Virginia entered in Case No. 05-0030-PWD-19A (water rates) and in Case No. 04-0032-PSD-CN (sewer rates) and such rates are hereby adopted.

So long as the Series 2005 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 2005 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided in the Prior Resolutions. Additionally, so long as the Series 2005 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2005 A Bonds, immediately be remitted to the Commission for deposit in the Series 2005 A Bonds Sinking Fund, and, with the written permission of the Authority and the Council, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2005 A Bonds. Any balance remaining after the payment of the Series 2005 A Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

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

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2005 A Bonds and the Prior Bonds. All obligations issued by the Issuer after the issuance of the Series 2005 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2005 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2005 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2005 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07 Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2005 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 2005 A Bonds.

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

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

(1) The Bonds then Outstanding;

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

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

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

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 2005 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 2005 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 shall keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 2005 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2005 A Bonds and the Consulting Engineer, requesting the same, an annual report containing the following:

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

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

(C) The amount of any Bonds, notes or other obligations 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 2005 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2005 A Bonds. Such audit report submitted to the Council and the Authority shall include a statement that notes whether the results of the tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to the issuance of the Series 2005 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the First Lien Bonds; provided that, in the event amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2005 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2005 A Bonds, including the First Lien Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2005 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a registered

professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the Council and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to each 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 user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2005 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

(3) 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 not less than 100% of the amount of any 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 as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such 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 require, 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 shall take all steps to properly operate and maintain the System and make the necessary replacements due to normal wear and tear so long as the Series 2005 A Bonds are outstanding.

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the 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 Series 2005 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 shall provide the Council with copies of all documents submitted to the Authority.

The Issuer shall also 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. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2005 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 and shall take effect immediately upon delivery of the Series 2005 A Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.20. 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 (17 CFR Part 240).

Section 7.21. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2005 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 2005 A Bonds held in "contingency" as set forth in the schedule attached to the Certificate of Consulting Engineer. The Issuer shall also obtain the

written approval of the Council before expending any proceeds of the Series 2005 A Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association 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 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 Series 2005 A Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest, if any, on the Series 2005 A Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate and 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 2005 A Bonds as a condition to issuance of the Series 2005 A Bonds. In addition, the Issuer

covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2005 A Bonds as may be necessary in order to maintain the status of the Series 2005 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2005 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority, the Council or the Council, as the case may be, from which the proceeds of the Series 2005 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2005 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2005 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2005 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 2005 A Bonds set forth in this Bond Legislation, any Supplemental Resolution or in the Series 2005 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Series 2005 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2005 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 2005 A Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2005 A Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2005 A Bonds shall be on a parity with the Holders of the First Lien Bonds, and senior and prior to the Subordinate Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Series 2005 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, 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 the Series 2005 A Bonds, any Registered Owner of a Series 2005 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 Series 2005 A Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Series 2005 A Bonds and interest, if any, thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Series 2005 A Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of

the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2005 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2005 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2005 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2005 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 2005 A Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2005 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2005 A Bonds 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 pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2005 A Bonds required for consent to the above-permitted amendments or modifications.

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 2005 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 2005 A Bonds.

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

Section 11.05. Notices. All notices to be sent to the Issuer, the Authority or the Council shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

ISSUER:

Red Sulphur Public Service District
Post Office Box 457
Red Sulphur, West Virginia 26206
Attention: Chairman

AUTHORITY:

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311-1571
Attention: Director

Council:

West Virginia Infrastructure and Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301
Attention: Executive Secretary

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

Section 11.06. Conflicting Provisions Repealed. Except for the Prior Resolutions, all orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

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

Section 11.08. 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 Red Sulphur Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 2005 A Bonds to be issued;

(b) The maximum interest rate and terms of the Series 2005 A 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 11.09. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 2nd day of August, 2005.

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of RED SULPHUR PUBLIC SERVICE DISTRICT on the 2nd day of August, 2005.

Dated: August 11, 2005.

[SEAL]

Secretary

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,
Series 2005 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 THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF RED SULPHUR PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Red Sulphur Public Service District (the "Issuer") has duly and officially adopted a bond resolution, effective August 2, 2005 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE PAYMENT OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM DESIGN NOTES, SERIES 1998 (WEST VIRGINIA INFRASTRUCTURE FUND) AND AUTHORIZING THE FINANCING OF THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING PUBLIC COMBINED WATERWORKS AND SEWERAGE SYSTEM OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $4,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM

REVENUE BONDS, SERIES 2005 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 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 Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer (the "Series 2005 A Bonds"), in the aggregate principal amount not to exceed $4,150,000, and has authorized the execution and delivery of a loan agreement relating to the Series 2005 A Bonds, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure Council (the "Council"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provisions, interest rate, interest and principal payment dates, sale price and other terms of the Series 2005 A Bonds should be established by a supplemental resolution pertaining to the Series 2005 A Bonds; and that other matters relating to the Series 2005 A Bonds be herein provided for;

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

WHEREAS, the Series 2005 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 Series 2005 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2005 A Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF RED SULPHUR 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 Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $4,150,000. The Series 2005 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2045, and shall bear no interest. The principal of the Series 2005 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2007, and maturing June 1, 2045, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2005 A Bonds. The Series 2005 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 2005 A Bonds.

Section 2. All other provisions relating to the Series 2005 A Bonds and the text of the Series 2005 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, incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Series 2005 A Bonds shall be 100% of par value, there being no interest accrued thereon, provided that, the proceeds of the Series 2005 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 2005 A Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Series 2005 A Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as Paying Agent for the Series 2005 A Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate First Community Bank, Lindside, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2005 A Bonds proceeds in the amount of $171,504.97 shall be paid to the Commission to pay in full the entire outstanding principal of and all accrued interest on the Prior Notes at closing.

Section 8. Series 2005 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2005 A Bonds Sinking Fund, as capitalized interest.

Section 9. Series 2005 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2005 A Bonds Reserve Account.

Section 10. The balance of the proceeds of the Series 2005 A Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2005 A Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Series 2005 A Bonds and related costs.

Section 11. The Chairman and the Secretary are hereby authorized and directed to execute and deliver such other documents, agreements and certificates required or desirable in connection with the Series 2005 A Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2005 A Bonds may be delivered on or about August 11, 2005, to the Authority pursuant to the Loan Agreement.

Section 12. The acquisition and construction of the Project and the financing thereof with proceeds of the Series 2005 A Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer does hereby ratify, approve and accept all contracts relating to the financing, acquisition and construction of the Project.

Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank 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 Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

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

Adopted this 2nd day of August, 2005.

RED SULPHUR PUBLIC SERVICE DISTRICT

Dennis Liboel
Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Red Sulphur Public Service District on the 2nd day of August, 2005.

Dated: August 11, 2005.

[SEAL]

Secretary

07/25/05
742910.00002

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 2005 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $4,150,000

KNOW ALL MEN BY THESE PRESENTS: That on this 11th day of August, 2005, RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe 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 FOUR MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS ($4,150,000), 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 December 1, 2007, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council") and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated August 11, 2005.

This Bond is issued to: (i) refund the Combined Waterworks and Sewerage System Design Notes, Series 1998 (West Virginia Infrastructure Fund) (the "Prior Notes"), (ii) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the sewerage portion of the existing public combined waterworks and sewerage system of the Issuer (the "Project"); and (iii) pay certain costs of issuance of the Bonds of this series (the "Bonds") and related costs. The existing public combined waterworks and sewerage system of the Issuer, the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on August 2, 2005, and a Supplemental Resolution duly adopted by the Issuer on August 2, 2005 (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) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 21, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,800,000; (2) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 11, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,538,500; (3) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 20, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $156,500; (4) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1992, DATED JULY 14, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,979,000; (5) AN ASSUMED WATERWORKS LOAN, DATED NOVEMBER 10, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $36,000; (6) AN ASSUMED WATERWORKS LOAN, DATED MAY 3, 1967,ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $50,290, ALL HELD BY THE RURAL UTILITIES SERVICE; AND (7) COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987A, DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647, HELD BY THE AUTHORITY (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, DATED NOVEMBER 16, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $181,173 (THE "SUBORDINATE BONDS"), HELD BY THE AUTHORITY. THE FIRST LIEN BONDS AND SUBORDINATE BONDS ARE SOMETIMES COLLECTIVELY HEREIN 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 First Lien Bonds and senior and prior to the Subordinate Bonds, and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2005 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2005 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 120% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, so long as the Prior Bonds held by the Rural Utilities Service (the "RUS Bonds") are outstanding, and thereafter, 115% of such amount; provided that, when the RUS Bonds are no longer outstanding and so long as there exists in the Series 2005 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

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

[Remainder of Page Intentionally Left Blank]

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

[SEAL]

Chairman

ATTEST:

SPECIMEN

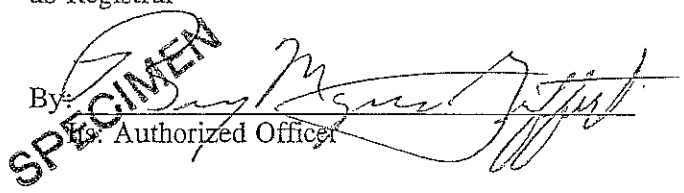
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2005 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August 11, 2005.

THE HUNTINGTON NATIONAL BANK,
as Registrar



By: _____
Its: Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$462,492	August 11, 2005	(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

Date	Principal	Coupon	Total P+I
09/01/2005	-	-	-
12/01/2005	-	-	-
03/01/2006	-	-	-
06/01/2006	-	-	-
09/01/2006	-	-	-
12/01/2006	-	-	-
03/01/2007	-	-	-
06/01/2007	-	-	-
09/01/2007	-	-	-
12/01/2007	27,483.45	-	27,483.45
03/01/2008	27,483.45	-	27,483.45
06/01/2008	27,483.45	-	27,483.45
09/01/2008	27,483.45	-	27,483.45
12/01/2008	27,483.45	-	27,483.45
03/01/2009	27,483.45	-	27,483.45
06/01/2009	27,483.45	-	27,483.45
09/01/2009	27,483.45	-	27,483.45
12/01/2009	27,483.45	-	27,483.45
03/01/2010	27,483.45	-	27,483.45
06/01/2010	27,483.45	-	27,483.45
09/01/2010	27,483.45	-	27,483.45
12/01/2010	27,483.45	-	27,483.45
03/01/2011	27,483.45	-	27,483.45
06/01/2011	27,483.45	-	27,483.45
09/01/2011	27,483.45	-	27,483.45
12/01/2011	27,483.45	-	27,483.45
03/01/2012	27,483.45	-	27,483.45
06/01/2012	27,483.45	-	27,483.45
09/01/2012	27,483.45	-	27,483.45
12/01/2012	27,483.45	-	27,483.45
03/01/2013	27,483.45	-	27,483.45
06/01/2013	27,483.45	-	27,483.45
09/01/2013	27,483.45	-	27,483.45
12/01/2013	27,483.45	-	27,483.45
03/01/2014	27,483.45	-	27,483.45
06/01/2014	27,483.45	-	27,483.45
09/01/2014	27,483.45	-	27,483.45
12/01/2014	27,483.45	-	27,483.45
03/01/2015	27,483.45	-	27,483.45
06/01/2015	27,483.45	-	27,483.45
09/01/2015	27,483.45	-	27,483.45
12/01/2015	27,483.45	-	27,483.45
03/01/2016	27,483.45	-	27,483.45
06/01/2016	27,483.45	-	27,483.45

Date	Principal	Coupon	Total P+I
09/01/2016	27,483.45	-	27,483.45
12/01/2016	27,483.45	-	27,483.45
03/01/2017	27,483.45	-	27,483.45
06/01/2017	27,483.45	-	27,483.45
09/01/2017	27,483.45	-	27,483.45
12/01/2017	27,483.45	-	27,483.45
03/01/2018	27,483.45	-	27,483.45
06/01/2018	27,483.45	-	27,483.45
09/01/2018	27,483.45	-	27,483.45
12/01/2018	27,483.45	-	27,483.45
03/01/2019	27,483.45	-	27,483.45
06/01/2019	27,483.45	-	27,483.45
09/01/2019	27,483.45	-	27,483.45
12/01/2019	27,483.45	-	27,483.45
03/01/2020	27,483.45	-	27,483.45
06/01/2020	27,483.45	-	27,483.45
09/01/2020	27,483.45	-	27,483.45
12/01/2020	27,483.45	-	27,483.45
03/01/2021	27,483.45	-	27,483.45
06/01/2021	27,483.45	-	27,483.45
09/01/2021	27,483.45	-	27,483.45
12/01/2021	27,483.44	-	27,483.44
03/01/2022	27,483.44	-	27,483.44
06/01/2022	27,483.44	-	27,483.44
09/01/2022	27,483.44	-	27,483.44
12/01/2022	27,483.44	-	27,483.44
03/01/2023	27,483.44	-	27,483.44
06/01/2023	27,483.44	-	27,483.44
09/01/2023	27,483.44	-	27,483.44
12/01/2023	27,483.44	-	27,483.44
03/01/2024	27,483.44	-	27,483.44
06/01/2024	27,483.44	-	27,483.44
09/01/2024	27,483.44	-	27,483.44
12/01/2024	27,483.44	-	27,483.44
03/01/2025	27,483.44	-	27,483.44
06/01/2025	27,483.44	-	27,483.44
09/01/2025	27,483.44	-	27,483.44
12/01/2025	27,483.44	-	27,483.44
03/01/2026	27,483.44	-	27,483.44
06/01/2026	27,483.44	-	27,483.44
09/01/2026	27,483.44	-	27,483.44
12/01/2026	27,483.44	-	27,483.44
03/01/2027	27,483.44	-	27,483.44
06/01/2027	27,483.44	-	27,483.44

Date	Principal	Coupon	Total P+I
09/01/2027	27,483.44	-	27,483.44
12/01/2027	27,483.44	-	27,483.44
03/01/2028	27,483.44	-	27,483.44
06/01/2028	27,483.44	-	27,483.44
09/01/2028	27,483.44	-	27,483.44
12/01/2028	27,483.44	-	27,483.44
03/01/2029	27,483.44	-	27,483.44
06/01/2029	27,483.44	-	27,483.44
09/01/2029	27,483.44	-	27,483.44
12/01/2029	27,483.44	-	27,483.44
03/01/2030	27,483.44	-	27,483.44
06/01/2030	27,483.44	-	27,483.44
09/01/2030	27,483.44	-	27,483.44
12/01/2030	27,483.44	-	27,483.44
03/01/2031	27,483.44	-	27,483.44
06/01/2031	27,483.44	-	27,483.44
09/01/2031	27,483.44	-	27,483.44
12/01/2031	27,483.44	-	27,483.44
03/01/2032	27,483.44	-	27,483.44
06/01/2032	27,483.44	-	27,483.44
09/01/2032	27,483.44	-	27,483.44
12/01/2032	27,483.44	-	27,483.44
03/01/2033	27,483.44	-	27,483.44
06/01/2033	27,483.44	-	27,483.44
09/01/2033	27,483.44	-	27,483.44
12/01/2033	27,483.44	-	27,483.44
03/01/2034	27,483.44	-	27,483.44
06/01/2034	27,483.44	-	27,483.44
09/01/2034	27,483.44	-	27,483.44
12/01/2034	27,483.44	-	27,483.44
03/01/2035	27,483.44	-	27,483.44
06/01/2035	27,483.44	-	27,483.44
09/01/2035	27,483.44	-	27,483.44
12/01/2035	27,483.44	-	27,483.44
03/01/2036	27,483.44	-	27,483.44
06/01/2036	27,483.44	-	27,483.44
09/01/2036	27,483.44	-	27,483.44
12/01/2036	27,483.44	-	27,483.44
03/01/2037	27,483.44	-	27,483.44
06/01/2037	27,483.44	-	27,483.44
09/01/2037	27,483.44	-	27,483.44
12/01/2037	27,483.44	-	27,483.44
03/01/2038	27,483.44	-	27,483.44
06/01/2038	27,483.44	-	27,483.44

Date	Principal	Coupon	Total P+I
09/01/2038	27,483.44	-	27,483.44
12/01/2038	27,483.44	-	27,483.44
03/01/2039	27,483.44	-	27,483.44
06/01/2039	27,483.44	-	27,483.44
09/01/2039	27,483.44	-	27,483.44
12/01/2039	27,483.44	-	27,483.44
03/01/2040	27,483.44	-	27,483.44
06/01/2040	27,483.44	-	27,483.44
09/01/2040	27,483.44	-	27,483.44
12/01/2040	27,483.44	-	27,483.44
03/01/2041	27,483.44	-	27,483.44
06/01/2041	27,483.44	-	27,483.44
09/01/2041	27,483.44	-	27,483.44
12/01/2041	27,483.44	-	27,483.44
03/01/2042	27,483.44	-	27,483.44
06/01/2042	27,483.44	-	27,483.44
09/01/2042	27,483.44	-	27,483.44
12/01/2042	27,483.44	-	27,483.44
03/01/2043	27,483.44	-	27,483.44
06/01/2043	27,483.44	-	27,483.44
09/01/2043	27,483.44	-	27,483.44
12/01/2043	27,483.44	-	27,483.44
03/01/2044	27,483.44	-	27,483.44
06/01/2044	27,483.44	-	27,483.44
09/01/2044	27,483.44	-	27,483.44
12/01/2044	27,483.44	-	27,483.44
03/01/2045	27,483.44	-	27,483.44
06/01/2045	27,483.44	-	27,483.44
Total	**$4,150,000.00**	**-**	**$4,150,000.00**

ASSIGNMENT

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

_____

the within Bond and does hereby irrevocably constitute and appoint _____

_____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____.

_____

In the presence of:

_____

SPECIMEN

07/30/05
742910.00002

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A
(United States Department of Agriculture)

BOND RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF RED SULPHUR PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,800,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR 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. Red Sulphur Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by The County Commission of Monroe 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 combined waterworks and 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 combined waterworks and 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 combined waterworks and sewerage facilities of the Issuer, consisting of (i) approximately 70,900 linear feet of PVC water line, 200 linear feet of creek crossing, 565 linear feet of road bores, 35 gate valves, 30 fire hydrant assemblies, a 150 gpm booster station at Bozoo and related appurtenances, upgrading of the Peterstown water treatment plant central monitor/control panel and the reconnection of 50 customers to new water mains; (ii) approximately 28,200 linear feet of PVC water line, 150 linear feet of creek crossing, 225 linear feet of road bores, 9 gate valves, 12 fire hydrant assemblies, 1,200 linear feet of service line, the upgrading of the existing settling basin at the Peterstown water treatment plant to improve the solids removal capacity of the basin, and the installation of a chlorine residual analyzer, a low range turbidimeter, a chlorine residual level recorder and related appurtenances; and (iii) construction of 116,400 gallon Bozoo water storage tank, approximately 400 linear feet of water line, 550 linear feet of drain line, 9 gate valves, 325 linear feet of 8-inch high chain link fence, an access road, parking and related appurtenances, and all necessary appurtenant facilities (collectively, 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 combined waterworks and 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 $3,080,000, of which $1,800,000 will be obtained from the proceeds of sale of the Series 2003 A Bonds herein authorized and $1,280,000 will be obtained from a grant from the Purchaser.

E. It is necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), in the aggregate principal amount of $1,800,000 (the "Bond" or "Series 2003 A Bonds"), 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 cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2003 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 2003 A Bonds as to liens, pledge and source of the security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (the "2002 A Bonds") dated July 11, 2002, and held by the Purchaser issued in the original aggregate principal amount of $1,538,500, the Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (the "1999 Bonds") dated May 20, 1999, and held by the Purchaser, issued in the original aggregate principal amount of $156,500, the Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (the "1992 Bonds"), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000, and held by the Purchaser, the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (the "1987 A Bonds"), dated November 16, 1987, issued in the original aggregate principal amount of $738,647, and held by the West Virginia Water Development Authority, an assumed Waterworks Loan held by the Purchaser, dated November 10, 1977 (the "1977 Bonds"), issued in the original aggregate principal amount of $36,000, and an assumed Waterworks Loan held by the Purchaser, dated May 3, 1967 (the "1967 Bonds") (collectively, the 2002 A Bonds, the 1999 Bonds, the 1992 Bonds, the 1987 A Bonds, the 1977 Bonds and the 1967 Bonds are referred to as the "First Lien Bonds").

There is outstanding an obligation of the Issuer which will rank junior and subordinate to the Bond as to liens, pledge and source of security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (the "1987 B Bonds"), dated November 16, 1987, issued in the original aggregate principal amount of $181,173, and held by West Virginia Water Development Authority. The 1967 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds, the 1992 Bonds, the 1999 Bonds and the 2002 A Bonds are hereinafter collectively referred to as the "Prior Bonds."

The Issuer currently has outstanding the Combined Waterworks and Sewerage System Design Note, Series 1998 (West Virginia Infrastructure Fund), (the "Prior Note")

dated June 15, 1998, issued in the original aggregate principal amount of $180,600. The Prior Notes are not secured by the assets of the System or the Net Revenues thereof and are junior and subordinate to the First Lien Bonds and the 1987 B Bonds.

Other than the Prior Bonds and the Prior Notes, there are no outstanding bonds or obligations which will rank prior to, on a parity with or junior to the Series 2003 A Bonds as to liens, pledge and/or source of and security for payment.

The Issuer is not in default under the terms of the Prior Bonds and the Prior Notes, or the resolutions authorizing issuance of the Prior Bonds and the Prior Notes 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 2003 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated January 16, 2001, and any and all amendments thereto (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, the issuance of the Series 2003 A Bonds, or will have so complied prior to issuance of the Series 2003 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 2003 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 2003 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 2003 A Bonds and the Prior Bonds.

"1967 Bonds" means the outstanding loan of the Issuer described in Section 1.02G hereof.

"1977 Bonds" means the outstanding loan of the Issuer described in Section 1.02G hereof.

"1987 A Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, of the Issuer described in Section 1.02G hereof.

"1987 B Bonds" means the outstanding Combined Waterworks and Sewerage Revenue Bonds, Series 1987 B, of the Issuer described in Section 1.02G hereof.

"1992 Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1992, of the Issuer described in Section 1.02G hereof.

"1999 Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1999, of the Issuer described in Section 1.02G hereof.

"2002 A Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A, of the Issuer described in Section 1.02G hereof.

"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 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 Bank of Greenville, Lindside, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "combined waterworks and 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.

"First Lien Bonds" means, collectively, the 1967 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1992 Bonds, the 1999 Bonds and the 2002 A Bonds.

"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 Red Sulphur Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Monroe County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated January 16, 2001, and any and all amendments thereto.

"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.

"Prior Bonds" means, collectively, the 1967 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds, the 1992 Bonds, the 1999 Bonds and the 2002 A Bonds.

"Prior Notes" means the Combined Waterworks and Sewerage System Design Notes, Series 1998 (West Virginia Infrastructure Fund).

"Prior Resolutions" means, collectively, the 1967 Resolution, the 1977 Resolution, the 1987 Resolution, the 1992 Resolution, the 1999 Resolution and the 2002 A Resolution.

"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 Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is 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 Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

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

"Resolutions" means, collectively, the 1967 Resolution, the 1977 Resolution, the 1987 Resolution, the 1992 Resolution, the 1999 Resolution, the 2002 A Resolution and the Bond Legislation.

"1967 Resolution" means the resolution of the Association adopted April 25, 1967, authorizing the 1967 Bonds.

"1977 Resolution" means the resolution of the Association adopted October 27, 1977, authorizing the 1977 Bonds.

"1987 Resolution" means the resolution of the Issuer adopted November 12, 1987 authorizing the 1987 A Bonds and the 1987 B Bonds.

"1992 Resolution" means the resolution of the Issuer adopted July 14, 1992, authorizing the 1992 Bonds.

"1999 Resolution" means the resolution of the Issuer adopted May 20, 1999, authorizing the 1999 Bonds.

"2002 A Resolution" means the resolution of the Issuer adopted July 9, 2002, authorizing the 2002 A Bonds.

"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.

"Series 2003 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2003 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 2003 A Bonds in the then current or any succeeding year.

"System" means the complete public combined waterworks and sewerage system of the Issuer, as 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 ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $3,080,000, 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 2003 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 2003 A Bonds of the Issuer, to be known as "Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of $1,800,000, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2003 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2003 A Bonds shall bear interest from the date of delivery, payable monthly at the interest rate of 4.25% per annum, and shall be sold for the par value thereof.

The Series 2003 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 Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2003 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 2003 A Bonds, and the right to principal of and stated interest on the Series 2003 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 2003 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 2003 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 2003 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2003 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 2003 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2003 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 2003 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2003 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 2003 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 2003 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 2003 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 2003 A Bonds shall cease to be such officer of the Issuer before the Series 2003 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 2003 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 2003 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 2003 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2003 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 2003 A Bonds shall be secured forthwith by a lien on the Net Revenues derived from the System, on a parity with the liens and pledge of the First Lien Bonds and senior and prior to the liens and pledge of the 1987 B Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2003 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 2003 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 2003 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)

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$ 1,800,000

No. AR-1 Date: _____

FOR VALUE RECEIVED, RED SULPHUR 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 EIGHT HUNDRED THOUSAND DOLLARS ($1,800,000), 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 $7,974, 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 combined waterworks and 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 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 July 15, 2003, 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 Farmer 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 ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES WITH THE 1967 BONDS, THE 1977 BONDS, THE 1987 A BONDS, THE 1992 BONDS, THE 1999 BONDS AND THE 2002 A BONDS (THE "FIRST LIEN BONDS"), AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION. THIS BOND IS SENIOR AND PRIOR, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1987 B BONDS, AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION. THE PRIOR NOTES ARE NOT SECURED BY THE ASSETS OF THE SYSTEM OR THE NET REVENUES THEREOF AND ARE JUNIOR AND SUBORDINATE TO THE FIRST LIEN BONDS AND THE 1987 B BONDS.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT

By: _____

Its: Chairman
Public Service Board
Post Office Box 697
Peterstown, West Virginia 24963

[CORPORATE SEAL]

ATTEST:

By: _____

Its: Secretary

(Form of)

RECORD OF ADVANCES

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

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

ARTICLE IV

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

Section 4.01. 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 1987 Resolution and resulting from the combination with the Depreciation Reserve established by the Prior Resolutions); and

(3) Project Construction Account.

Section 4.02. Creation of Funds and Accounts with Commission. The following special funds or accounts are hereby created with the Commission:

(1) Series 2003 A Bonds Reserve Fund.

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2003 A Bonds 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 Series 2003 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, 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 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2003 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2003 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2003 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2003 A 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, transfer from the Revenue Fund the amount necessary and sufficient to pay the Operating Expenses of the System.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, the amounts required by the Prior Resolutions to pay the interest on, if any, and the principal of the 1967 Bonds, the 1977 Bonds, the 1992 Bonds, the 1999 Bonds and the 2002 A Bonds; (ii) remit to the Commission the amounts required by the Prior Resolutions to pay the interest on and principal of the 1987 A Bonds; and (iii) beginning on the 12th monthly anniversary of the Closing Date, transfer from the Revenue Fund and remit to the National Finance Office, the amounts required to

pay the interest on the Series 2003 A Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on and principal of the Series 2003 A Bonds over the life of the Bond issue.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit (i) to the Depository Bank for deposit into the 1967 Bonds, the 1977 Bonds, the 1992 Bonds, the 1999 Bonds and the 2002 A Bonds Reserve Accounts, the amounts required by the Prior Resolutions; (ii) to the Commission for deposit into the 1987 A Bonds Reserve Account, the amount required by the Prior Resolutions; 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 2003 A Bonds Reserve Account, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2003 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2003 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 2003 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2003 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2003 A Bonds, or for mandatory prepayment of the Series 2003 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2003 A Bond Reserve Account, so long as the Series 2003 A Bonds Reserve Requirement 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 and remit to the Depository Bank for the deposit in the Renewal and Replacement Fund (i) the amounts required by the Prior Resolutions; (ii) beginning on the date specified by the Purchaser, but in any event

not later than the 12th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2003 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 2003 A Bonds are outstanding; provided, however, that in the event Revenues are insufficient to fund the Series 2003 A Bonds Reserve Account in accordance with Section 4.04B above, or a withdrawal of funds from the Series 2003 A Bonds Reserve Account is made, payment of Revenues into the Renewal and Replacement Fund as provided in this Section 4.04B shall not be made, but instead Revenues shall be applied to the replenishment of the Series 2003 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Renewal and Replacement Fund as provided in this Section 4.04B shall resume. Monies in the Renewal and Replacement Fund shall be used first to make up any deficiencies for monthly payments of interest on and principal of the Series 2003 A Bonds as the same become due, and next to restore to the Series 2003 A Bonds Reserve Account any sum or sums transferred therefrom. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, monies in the Renewal and Replacement Fund may be withdrawn by the Issuer and used for replacements, repairs, improvements or extensions to the System.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, the Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Sinking Fund, the amounts required by the 1987 Resolution for the payment of principal and interest on the 1987 B Bonds.

(6) The Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Reserve Account, the amount required by the 1987 Resolution to be deposited therein.

(7) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the First Lien Bonds and the Bond

outstanding and, thereafter, the 1987 B Bonds, or for any lawful purpose.

Whenever the money in the Series 2003 A Bonds Reserve Account shall be sufficient to prepay the Series 2003 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2003 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 2003 A Bonds Reserve Account and the Renewal and Replacement Fund as herein provided, and all amounts required for the Series 2003 A Bonds Reserve Account, and 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 advice stating the amount remitted for deposit into each such fund.

The Revenue Fund and the Series 2003 A 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 parity with the liens of the holders of the First Lien Bonds, for further securing payment of the Series 2003 A Bonds and the interest thereon.

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.

Interest, principal or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2003 A Bonds and the First Lien Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission, at the direction of the Issuer, shall keep the moneys in the Series 2003 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 Investment Management Board. 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 from moneys in the Series 2003 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Commission.

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 and in the manner provided in the Prior Resolutions.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2003 A Bonds, provide evidence that there will be at least 1,740 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 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 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.

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants, if any, and advances of principal of the Series 2003 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed $100,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2003 A Bonds or the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2003 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2003 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2003 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 2003 A Bonds. The covenants contained in the Bond Legislation are in addition to the covenants contained in the Prior Resolutions which shall remain in full force and effect as long as the Prior Bonds are outstanding.

Section 5.02. Rates. So long as the Series 2003 A Bonds are outstanding, 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 2003 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. Provided, however, that any rate covenants contained in the Prior Resolutions shall remain in full force and effect so long as the Prior Bonds are outstanding and, to the extent any such rate covenants require higher rates, such covenants shall be controlling.

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 Series 2003 A 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. 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;

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

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. Additionally, no additional parity bonds or obligations payable out of any of the Revenues of the System shall be issued after the issuance of the Series 2003 A Bonds pursuant to this Bond Legislation, except with the prior written consent of the Purchaser. The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds.

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 2003 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 2003 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 2003 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 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2003 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 and shall take effect immediately upon the delivery of the Series 2003 A Bonds. The statutory mortgage lien of the Bond is on a parity with the statutory mortgage lien in favor of the holders of the First Lien Bonds and senior and prior to the statutory mortgage lien in favor of the holders of the 1987 B 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 2003 A Bonds at the date specified for payment thereof; and

(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 2003 A Bonds 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 Series 2003 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 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 2003 A 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 July 2, 2002, Case No. 02-0617-PWD-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 2003 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 2003 A Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2003 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 2003 A Bonds, the Issuer may not defease the Series 2003 A 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 2003 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 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 2003 A 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 RUS 442-47) or the Prior Resolutions.

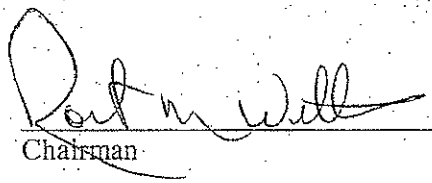
Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

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: July 15, 2003.

RED SULPHUR PUBLIC SERVICE DISTRICT



Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of RED SULPHUR PUBLIC SERVICE DISTRICT on the 15th day of July, 2003.

Dated: July 21, 2003.

[SEAL]

Dennis Siblad
Secretary

07/12/03
742910.00001

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$ 1,800,000

No. AR-1 Date: July 21, 2003

FOR VALUE RECEIVED, RED SULPHUR 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 EIGHT HUNDRED THOUSAND DOLLARS ($1,800,000), 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 $7,974, 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 combined waterworks and 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 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 July 15, 2003, 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 Farmer 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 ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES WITH THE 1967 BONDS, THE 1977 BONDS, THE 1987 A BONDS, THE 1992 BONDS, THE 1999 BONDS, THE 2002 A BONDS AND THE PRIOR NOTES (THE "FIRST LIEN BONDS"), AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION. THIS BOND IS SENIOR AND PRIOR, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1987 B BONDS, AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION. THE PRIOR NOTES ARE NOT SECURED BY THE ASSETS OF THE SYSTEM OR THE NET REVENUES THEREOF AND ARE JUNIOR AND SUBORDINATE TO THE FIRST LIEN BONDS AND 1987 B BONDS.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC
SERVICE DISTRICT

By: Robert M. Williams
Its: Chairman
Public Service Board
Post Office Box 697
Peterstown, West Virginia 24963

[CORPORATE SEAL]

ATTEST:

By: Dennis Sibold
Its: Secretary

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$186,160	July 21, 2003	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

742910.00001
07/08/03

CH612159.1

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture)

BOND RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF RED SULPHUR PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,538,500 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR 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. Red Sulphur Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by The County Commission of Monroe 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 combined waterworks and 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 combined waterworks and 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 combined waterworks and sewerage facilities of the Issuer, consisting of constructing approximately 65,000 linear feet of water mains, ranging from 2 inch to 10 inch, with appurtenances, a 200,000 gallon water storage tank, the upgrading of the Mill Hill booster station, developing an additional raw water source, constructing a 700 GPM raw water booster station with 4,400 linear feet of raw water line to connect to the Issuer's treatment plant, and all necessary appurtenant facilities (collectively, 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 combined waterworks and 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 $2,762,500, of which $1,538,500 will be obtained from the proceeds of sale of the Series 2002 A Bonds herein authorized, $1,174,000 will be obtained from a grant from the Purchaser and $50,000 will be obtained from a grant from the Governor's Partnership Program.

E. It is necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), in the aggregate principal amount of $1,538,500 (the "Bond" or "Series 2002 A Bonds"), 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 cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2002 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 2002 A Bonds as to liens, pledge and source of the security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (the "1999 Bonds") dated May 20, 1999, and held by the Purchaser, issued in the original aggregate principal amount of $156,500, the Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (the "1992 Bonds"), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000, and held by the Purchaser, the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (the "1987 A Bonds"), dated November 16, 1987, issued in the original aggregate principal amount of $738,647, and held by the West Virginia Water Development Authority, an assumed Waterworks Loan held by the Purchaser, dated November 10, 1977 (the "1977 Bonds"), issued in the original aggregate principal amount of $36,000, and an assumed Waterworks Loan held by the Purchaser, dated May 3, 1967 (the "1967 Bonds") (collectively, the 1999 Bonds, the 1992 Bonds, the 1987 A Bonds, the 1977 Bonds, the 1967 Bonds are referred to as the "First Lien Bonds").

There is outstanding an obligation of the Issuer which will rank junior and subordinate to the Bond as to liens, pledge and source of security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (the "1987 B Bonds"), dated November 16, 1987, issued in the original aggregate principal amount of $181,173, and held by West Virginia Water Development Authority. The 1967 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds, the 1992 Bonds and the 1999 Bonds are hereinafter collectively referred to as the "Prior Bonds."

The Issuer has paid in full and discharged its Combined Waterworks and Sewerage System Revenue Refunding Bonds, Series 1973, dated July 1, 1973 on or about January 1, 2000. Therefore, the lien position of the 1967 Bonds, the 1977 Bonds, the 1987 A Bonds and the 1992 Bonds has been upgraded from a second lien position to a first lien position, all on a parity with each other.

Other than the Prior Bonds, there are no outstanding bonds or obligations which will rank prior to, on a parity with or junior to the Series 2002 A Bonds as to liens, pledge and/or source of and security for payment.

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 2002 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated April 18, 2000, and any and all amendments thereto (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, the issuance of the Series 2002 A Bonds, or will have so complied prior to issuance of the Series 2002 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 2002 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 2002 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 2002 A Bonds and the Prior Bonds.

"1967 Bonds" means the outstanding loan of the Issuer described in Section 1.02G hereof.

"1977 Bonds" means the outstanding loan of the Issuer described in Section 1.02G hereof.

"1987 A Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, of the Issuer described in Section 1.02G hereof.

"1987 B Bonds" means the outstanding Combined Waterworks and Sewerage Revenue Bonds, Series 1987 B, of the Issuer described in Section 1.02G hereof.

"1992 Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1992, of the Issuer described in Section 1.02G hereof.

"1999 Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1999, of the Issuer described in Section 1.02G hereof.

"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 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 Bank of Greenville, Lindside, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "combined waterworks and 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 Red Sulphur Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Monroe County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated April 18, 2000, and any and all amendments thereto.

"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.

"Prior Bonds" means, collectively, the 1967 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds, the 1992 Bonds and the 1999 Bonds.

"Prior Resolutions" means, collectively, the 1967 Resolution, the 1977 Resolution, the 1987 Resolution, the 1992 Resolution and the 1999 Resolution.

"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 Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is 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 Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

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

"Resolutions" means, collectively, the 1967 Resolution, the 1977 Resolution, the 1987 Resolution, the 1992 Resolution, the 1999 Resolution and the Bond Legislation.

"1967 Resolution" means the resolution of the Association adopted April 25, 1967, authorizing the 1967 Bonds.

"1977 Resolution" means the resolution of the Association adopted October 27, 1977, authorizing the 1977 Bonds.

"1987 Resolution" means the resolution of the Issuer adopted November 12, 1987 authorizing the 1987 A Bonds and the 1987 B Bonds.

"1992 Resolution" means the resolution of the Issuer adopted July 14, 1992, authorizing the 1992 Bonds.

"1999 Resolution" means the resolution of the Issuer adopted May 20, 1999, authorizing the 1999 Bonds.

"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.

"Series 2002 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"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.

"System" means the complete public combined waterworks and sewerage system of the Issuer, as 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 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 $2,762,500, 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 2002 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 2002 A Bonds of the Issuer, to be known as "Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of $1,538,500, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2002 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2002 A Bonds shall bear interest from the date of delivery, payable monthly at the interest rate of 4.75% per annum, and shall be sold for the par value thereof.

The Series 2002 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 Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2002 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 2002 A Bonds, and the right to principal of and stated interest on the Series 2002 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 2002 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 2002 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 2002 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2002 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 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.

Section 3.05. Execution of Bonds. The Series 2002 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 2002 A Bonds shall cease to be such officer of the Issuer before the Series 2002 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 2002 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 2002 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 2002 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2002 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 2002 A Bonds shall be secured forthwith by a lien on the Net Revenues derived from the System, on a parity with the liens and pledge of the First Lien Bonds and senior and prior to the liens and pledge of the 1987 B Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2002 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 2002 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 2002 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)

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 2002 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$1,538,500

No. AR-1 Date: _____

FOR VALUE RECEIVED, RED SULPHUR 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 FIVE HUNDRED THIRTY EIGHT THOUSAND FIVE HUNDRED DOLLARS ($1,538,500), plus interest on the unpaid principal balance at the rate of 4.75% 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 $7,308, 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 combined waterworks and 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 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 July 9, 2002, 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 Government 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 WITH THE 1967 BONDS, THE 1977 BONDS, THE 1987 A BONDS, THE 1992 BONDS AND THE 1999 BONDS (THE "FIRST LIEN BONDS"), AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION. THIS BOND IS SENIOR AND PRIOR, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1987 B BONDS, AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT

By:_____
Its: Chairman
Public Service Board
Post Office Box 697
Peterstown, West Virginia 24963

[CORPORATE SEAL]

ATTEST:

By:_____
Its: Secretary

(Form of)

RECORD OF ADVANCES

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

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

ARTICLE IV

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

Section 4.01. 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 1987 Resolution and resulting from the combination with the Depreciation Reserve established by the Prior Resolutions); and

(3) Project Construction Account.

Section 4.02. Creation of Funds and Accounts with Commission. The following special funds or accounts are hereby created with the Commission:

(1) Series 2002 A Bonds Reserve Fund.

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2002 A Bonds 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 Series 2002 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, 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 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2002 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2002 A 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, transfer from the Revenue Fund the amount necessary and sufficient to pay the Operating Expenses of the System.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, the amounts required by the Prior Resolutions to pay the interest on and the principal of the 1967 Bonds, the 1977 Bonds, the 1992 Bonds and the 1999 Bonds; (ii) remit to the Commission the amounts required by the Prior Resolutions to pay the interest on and principal of the 1987 A Bonds; and (iii) beginning on the 12th monthly anniversary of the Closing Date, transfer from the Revenue Fund and remit to the National Finance Office, the amounts required to pay the interest on the Series

2002 A Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on and principal of the Series 2002 A Bonds over the life of the Bond issue.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit (i) to the Depository Bank for deposit into the 1967 Bonds, the 1977 Bonds, the 1992 Bonds and the 1999 Bonds Reserve Accounts, the amounts required by the Prior Resolutions; (ii) to the Commission for deposit into the 1987 A Bonds Reserve Account, the amount required by the Prior Resolutions; 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 2002 A Bonds Reserve Account, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve; 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 Minimum Reserve. Monies in the Series 2002 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2002 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2002 A Bonds, or for mandatory prepayment of the Series 2002 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2002 A Bond Reserve Account, so long as the Series 2002 A Bonds Reserve Requirement 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 and remit to the Depository Bank for the deposit in the Renewal and Replacement Fund (i) the amounts required by the Prior Resolutions; (ii) beginning on the date specified by the Purchaser, but in any event not later than the 12th monthly anniversary of the Closing Date,

and continuing on each monthly anniversary of the Closing Date thereafter, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 2002 A Bonds are outstanding; provided, however, that in the event Revenues are insufficient to fund the Series 2002 A Bonds Reserve Account in accordance with Section 4.04B above, or a withdrawal of funds from the Series 2002 A Bonds Reserve Account is made, payment of Revenues into the Renewal and Replacement Fund as provided in this Section 4.04B shall not be made, but instead Revenues shall be applied to the replenishment of the Series 2002 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Renewal and Replacement Fund as provided in this Section 4.04B shall resume. Monies in the Renewal and Replacement Fund shall be used first to make up any deficiencies for monthly payments of interest on and principal of the Series 2002 A Bonds as the same become due, and next to restore to the Series 2002 A Bonds Reserve Account any sum or sums transferred therefrom. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, monies in the Renewal and Replacement Fund may be withdrawn by the Issuer and used for replacements, repairs, improvements or extensions to the System.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, the Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Sinking Fund, the amounts required by the 1987 Resolution for the payment of principal and interest on the 1987 B Bonds.

(6) The Issuer shall next, on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Reserve Account, the amount required by the 1987 Resolution to be deposited therein.

(7) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the First Lien Bonds and the Bond

outstanding and, thereafter, the 1987 B Bonds, or for any lawful purpose.

Whenever the money 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 the Series 2002 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 2002 A Bonds Reserve Account and the Renewal and Replacement Fund as herein provided, and all amounts required for the Series 2002 A Bonds Reserve Account, and 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 advice stating the amount remitted for deposit into each such fund.

The Revenue Fund and the Series 2002 A 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 parity with the liens of the holders of the First Lien Bonds, for further securing payment of the Series 2002 A Bonds and the interest thereon.

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.

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

Subject to the Prior Resolutions, the Commission, at the direction of the Issuer, shall keep the moneys in the Series 2002 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 Investment Management Board. 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 from moneys in the Series 2002 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Commission.

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 and in the manner provided in the Prior Resolutions.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2002 A Bonds, provide evidence that there will be at least 1,575 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 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 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.

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants, if any, and advances of principal of the Series 2002 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed $100,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2002 A Bonds or the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2002 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 2002 A Bonds. The covenants contained in the Bond Legislation are in addition to the covenants contained in the Prior Resolutions which shall remain in full force and effect as long as the Prior Bonds are outstanding.

Section 5.02. Rates. So long as the Series 2002 A Bonds are outstanding, 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 2002 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. Provided, however, that any rate covenants contained in the Prior Resolutions shall remain in full force and effect so long as the Prior Bonds are outstanding and, to the extent any such rate covenants require higher rates, such covenants shall be controlling.

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 Series 2002 A 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. 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;

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

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. Additionally, no additional parity bonds or obligations payable out of any of the Revenues of the System shall be issued after the issuance of the Series 2002 A Bonds pursuant to this Bond Legislation, except with the prior written consent of the Purchaser. The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds.

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 2002 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 2002 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 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 Series 2002 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 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2002 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 and shall take effect immediately upon the delivery of the Series 2002 A Bonds. The statutory mortgage lien of the Bond is on a parity with the statutory mortgage lien in favor of the holders of the First Lien Bonds and senior and prior to the statutory mortgage lien in favor of the holders of the 1987 B 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 2002 A Bonds at the date specified for payment thereof; and

(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 2002 A Bonds 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 Series 2002 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 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 2002 A 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 July 12, 2001, Case No. 01-0221-PWD-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 2002 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 2002 A Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2002 A Bonds, 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 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 2002 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 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 2002 A 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 RUS 442-47) or 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: July 9, 2002.

RED SULPHUR PUBLIC SERVICE DISTRICT

Paul E Ballh
Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of RED SULPHUR PUBLIC SERVICE DISTRICT on the 9th day of July, 2002.

Dated: July 11, 2002.

[SEAL]

Secretary

07/03/02
742910.99001

SPECIMEN

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 2002 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$1,538,500

No. AR-1 Date: July 11, 2002

FOR VALUE RECEIVED, RED SULPHUR 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 FIVE HUNDRED THIRTY EIGHT THOUSAND FIVE HUNDRED DOLLARS ($1,538,500), plus interest on the unpaid principal balance at the rate of 4.75% 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 $7,308, 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 combined waterworks and 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 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 July 9, 2002, 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 Government 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 WITH THE 1967 BONDS, THE 1977 BONDS, THE 1987 A BONDS, THE 1992 BONDS AND THE 1999 BONDS (THE "FIRST LIEN BONDS"), AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION. THIS BOND IS SENIOR AND PRIOR, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1987 B BONDS, AS FURTHER DEFINED AND DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT

By: Paul E Ballph
Its: Chairman
Public Service Board
Post Office Box 697
Peterstown, West Virginia 24963

[CORPORATE SEAL]

ATTEST:

By: Robin Williams
Its: Secretary

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$198,685	July 11, 2002	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

07/08/02
742910.99001

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture)

BOND RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF RED SULPHUR PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $156,500 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR 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. Red Sulphur Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by The County Commission of Monroe 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 combined waterworks and 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 combined waterworks and 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 combined waterworks and sewerage facilities of the Issuer, consisting of 14,000 feet of 8" watermains, 100 feet of 6" watermains, 2,500 feet of 2" watermains, a 90,000 gallon water storage tank and upgrades to a water booster station to serve the Ballard area of Monroe County, and the acquisition of the existing waterworks system of Ballard Water Works Association, and all necessary appurtenant facilities (collectively, 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 combined waterworks and 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 $566,500, of which $156,500 will be obtained from the proceeds of sale of the Series 1999 Bonds herein authorized and $410,000 will be obtained from a grant from the Purchaser.

E. It is necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), in the aggregate principal amount of $156,500 (the "Bond" or "Series 1999 Bonds"), 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 cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the

improvements and extensions thereto; interest on the Series 1999 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 is outstanding an obligation of the Issuer which will rank senior and prior to the Bond as to liens, pledge and source of the security for payment, being the Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973 (the "1973 Bonds"), issued in the original aggregate principal amount of $540,000, and presumed to be held by various members of the public.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 1999 Bonds as to liens, pledge and source of the security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (the "1987 A Bonds"), dated November 16, 1987, issued in the original aggregate principal amount of $738,647, and held by the West Virginia Water Development Authority, the Combined Waterworks and Sewerage System Revenue Bonds, Series 1992 (the "1992 Bonds"), dated July 14, 1992, issued in the original aggregate principal amount of $1,979,000, and held by the Purchaser, a loan from the Purchaser to the Ballard Water Works Association, evidenced by a promissory note dated May 3, 1967 (the "1967 Bonds"), issued in the original aggregate principal amount of $50,290, of which $11,807.04 principal amount remains outstanding, and to be assumed by the Issuer simultaneously with the issuance of the Series 1999 Bonds, and a loan from the Purchaser to the Ballard Water Works Association, evidenced by a promissory note dated November 10, 1977 (the "1977 Bonds"), issued in the original aggregate principal amount of $36,000, of which $9,632.80 principal amount remains outstanding, and to be assumed by the Issuer simultaneously with the issuance of the Series 1999 Bonds, (collectively, the 1987 A Bonds, the 1992 Bonds, the 1967 Bonds and the 1977 Bonds are referred to as the "Second Lien Bonds").

There is outstanding an obligation of the Issuer which will rank junior and subordinate to the Bond as to liens, pledge and source of security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (the "1987 B Bonds"), dated November 16, 1987, issued in the original aggregate principal amount of $181,173, and held by West Virginia Water Development Authority. The 1967 Bonds, the

1973 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds and the 1992 Bonds are hereinafter collectively referred to as the "Prior Bonds".

Other than the Prior Bonds, there are no outstanding bonds or obligations which will rank prior to, on a parity with as junior to the Series 1999 Bonds as to liens, pledge and/or source of and security for payment.

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 1999 Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated May 10, 1996, as amended by Amendment No. 1 to Letter of Conditions, dated July 10, 1996, and all further 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, the issuance of the Series 1999 Bonds and the assumption of the 1967 Bonds and the 1977 Bonds, or will have so complied prior to issuance of the Series 1999 Bonds and assumption of the 1967 Bonds and the 1977 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 1999 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 1999 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.

"Association" means Ballard Water Works Association.

"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 1999 Bonds and the Prior Bonds.

"1967 Bonds" means the outstanding loan of the Issuer described in Section 1.02G hereof.

"1973 Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Refunding Bonds of the Issuer described in Section 1.02G hereof.

"1977 Bonds" means the outstanding loan of the Issuer described in Section 1.02G hereof.

"1987 A Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, of the Issuer described in Section 1.02G hereof.

"1987 B Bonds" means the outstanding Combined Waterworks and Sewerage Revenue Bonds, Series 1987 B, of the Issuer described in Section 1.02G hereof.

"1992 Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1992, of the Issuer described in Section 1.02G hereof.

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

"Facilities" or "combined waterworks and 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 Red Sulphur Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Monroe County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated May 10, 1996, as amended by Amendment No. 1 to Letter of Conditions, dated July 10, 1996, and all further 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 1999 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.

"Prior Bonds" means, collectively, the 1967 Bonds, the 1973 Bonds, the 1977 Bonds, the 1987 A Bonds, the 1987 B Bonds and the 1992 Bonds.

"Prior Resolutions" means, collectively, the 1967 Resolution, the 1973 Resolution, the 1977 Resolution, the 1987 Resolution and the 1992 Resolution.

"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 Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is 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 Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

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

"Resolutions" means, collectively, the 1967 Resolution, the 1973 Resolution, the 1977 Resolution, the 1987 Resolution, the 1992 Resolution and the Bond Legislation.

"1967 Resolution" means the resolution of the Association adopted April 25, 1967, authorizing the 1967 Bonds.

"1973 Resolution" means the resolution of the Issuer adopted July 14, 1973, authorizing the 1973 Bonds.

"1977 Resolution" means the resolution of the Association adopted October 27, 1977, authorizing the 1977 Bonds.

"1987 Resolution" means the resolution of the Issuer adopted November 12, 1987, authorizing the 1987 A Bonds and the 1987 B Bonds.

"1992 Resolution" means the resolution of the Issuer adopted July 14, 1992, authorizing the 1992 Bonds.

"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.

"Second Lien Bonds" means, collectively, the 1967 Bonds, the 1977 Bonds, the 1987 A Bonds and the 1992 Bonds.

"Secretary" means the Secretary of the Governing Body.

"Series 1999 Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"System" means the complete public combined waterworks and sewerage system of the Issuer, as 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 ACQUISITION AND CONSTRUCTION OF THE PROJECT; AUTHORIZATION OF ASSUMPTION OF LOANS

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 $566,500, 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 1999 Bonds hereby authorized shall be applied as provided in Article IV hereof.

Section 2.02. Authorization of Assumption of Loans. There is also hereby authorized the assumption by the Issuer of two outstanding loans of the Association in exchange for all of the assets of the Association. The first loan, evidenced by a promissory note of the Association dated May 3, 1967 (herein defined as the "1967 Bond"), was issued in the original aggregate principal amount of $50,290, of which $11,807.04 principal amount remains outstanding, and the second loan, evidenced by a promissory note of the Association dated November 10, 1977 (herein defined as the "1977 Bond"), was issued in the original aggregate principal amount of $36,000, of which $9,632.80 principal amount remains outstanding.

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 1999 Bonds of the Issuer, to be known as "Combined Waterworks and Sewerage System Revenue Bonds, Series 1999 (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of $156,500, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 1999 Bonds 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 Series 1999 Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.5% per annum, and shall be sold for the par value thereof.

The Series 1999 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 Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 1999 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 1999 Bonds, and the right to principal of and stated interest on the Series 1999 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 1999 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 1999 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 1999 Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 1999 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 1999 Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 1999 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 1999 Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 1999 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 1999 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 1999 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 1999 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 1999 Bonds shall cease to be such officer of the Issuer before the Series 1999 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 1999 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 1999 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 1999 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 1999 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 1999 Bonds shall be secured forthwith by a lien on the Net Revenues derived from the System, junior and subordinate to the liens and pledge of the 1973 Bonds, on a parity with the liens and pledge of the Second Lien Bonds and senior and prior to the liens and pledge of the 1987 B Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 1999 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 1999 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 1999 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)

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 1999
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$156,500

No. R-1 Date: _____

FOR VALUE RECEIVED, RED SULPHUR 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 HUNDRED FIFTY-SIX THOUSAND FIVE HUNDRED DOLLARS ($156,500), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $719.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the combined waterworks and 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 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 _____, 199__, 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 Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS JUNIOR AND SUBORDINATE, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1973 BONDS, DEFINED AND DESCRIBED IN THE RESOLUTION. 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 SECOND LIEN BONDS, DEFINED AND DESCRIBED IN THE RESOLUTION. THIS BOND IS SENIOR AND PRIOR, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1987 B BONDS, DEFINED AND DESCRIBED IN THE RESOLUTION.

(Form of)

RECORD OF ADVANCES

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

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

ARTICLE IV

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

Section 4.01. 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) Depreciation Account (established by the Prior Resolutions);

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

(4) 1967 Bonds Debt Service Account (established by the Prior Resolutions);

(5) 1967 Bonds Reserve Account (established by the Prior Resolutions);

(6) 1977 Bonds Reserve Account (established by the Prior Resolutions);

(7) 1992 Bonds Reserve Account;

(8) Series 1999 Bonds Reserve Account; and

(9) Project Construction Account.

Section 4.02. Continuation of Funds and Accounts with Commission. The following special funds or accounts previously established by the Prior Resolutions are hereby continued with the Commission:

(1) The Sinking Fund established for the 1973 Bonds (herin called the "1973 Bonds Sinking Fund");

(a) Within the 1973 Bonds Sinking Fund, the Reserve Account established for the 1973 Bonds (the "1973 Bonds Reserve Account");

(2) Series 1987 A Bonds Sinking Fund established for the 1987 A Bonds;

(3) Series 1987 B Bonds Sinking Fund established for the 1987 B Bonds;

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 1999 Bonds 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 Series 1999 Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, 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 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 1999 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1999 Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 1999 Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 1999 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, before the end of each month, transfer from the Revenue Fund and remit to the Commission for deposit into the 1973 Bonds Sinking Fund, the amounts required by the 1973 Resolution for the payment of principal and interest on the 1973 Bonds.

The Issuer shall also, from the Revenue Fund, remit to the Commission, at such times as the Commission shall require, such additional sums, if any, as shall be necessary to pay the fiscal charges due for paying the 1973 Bonds and the interest thereon.

(3) The Issuer shall next, each month, transfer from the Revenue fund and remit to the Commission, for deposit into the 1973 Bonds Reserve Account, the amount required by the 1973 Resolution to be deposited into the 1973 Bonds Reserve Account.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Account the amount required by the 1973 Resolution to be deposited into the Depreciation Account. Moneys in the Depreciation Account shall be used only for replacement or addition of capital assets of the System, except that such moneys may be transferred to the 1973 Bonds Sinking Fund

Sinking Fund under the circumstances prescribed by Section 3.02(B)(5) of the 1973 Resolution.

(5) The Issuer shall next, each month, on or before the due date of payment of each installment on the Second Lien Bonds and the Series 1999 Bonds, transfer from the Revenue Fund and remit (a) to the Depository Bank for deposit in the 1967 Bonds Debt Service Account the amounts required by the 1967 Resolution for the payment of principal and interest on the 1967 Bonds; (b) to the National Finance Office the amounts required by the 1977 Resolution for the payment of principal and interest on the 1977 Bonds; (c) to the Commission for deposit in the Series 1987 A Bonds Sinking Fund the amounts required by the 1987 A Resolution for the payment of principal and interest on the 1987 A Bonds; (d) to the National Finance Office the amounts required by the 1992 Resolution for the payment of principal and interest on the 1992 Bonds; and (e) to the National Finance Office the amounts required to pay the interest on the Series 1999 Bonds and to amortize the principal of the Series 1999 Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Second Lien Bonds and the Series 1999 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, with all such pro rata payments to be made first for interest, both accrued and currently due, and second to principal, both accrued and currently due.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (a) to the Depository Bank the amount required by the 1967 Resolution to be deposited into the 1967 Bonds Reserve Account; (b) to the Depository Bank the amount required by the 1977 Resolution to be deposited into the 1977 Bonds Reserve Account; (c) to the Commission the amount required by the 1987 Resolution to be deposited

into the Series 1987 A Bonds Reserve Account; (d) to the Depository Bank the amount required by the 1992 Resolution to be deposited into the 1992 Bonds Reserve Account; and (e) to the Depository Bank for deposit into the Series 1999 Bonds Reserve Account, 0.4167% of the Minimum Reserve, until the amount in the Series 1999 Bonds Reserve Account equals the Minimum Reserve. Provided, that all payment into the various reserve accounts in this paragraph (6) shall be made only until the reserve requirement for each respective bond is satisfied. Payments into the various reserve accounts in this paragraph (6) shall be pro rata. Moneys in the Series 1999 Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 1999 Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 1999 Bonds, or for mandatory prepayment of the Series 1999 Bonds as hereinafter provided, and for no other purpose.

(7) 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, (a) the amount required by the Prior Resolutions; and (b) 0.4167% of the Minimum Reserve, until the amount in the Series 1999 Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 1999 Bonds are outstanding; provided, however, that in the event Revenues are insufficient to fund the Series 1999 Bonds Reserve Account in accordance with Section 4.03B(6)(e) above, or a withdrawal of funds from the Series 1999 Bonds Reserve Account is made, payment of Revenues into the Renewal and Replacement Fund as provided in this Section 4.03B(7)(b) shall not be made, but instead Revenues shall be applied to the replenishment of the Series 1999 Bonds Reserve Account until such deficiency is cured, at which time payments into the

Replacement Fund 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 Investment Management. 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 from moneys in the Series 1999 Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Depository Bank.

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 and in the manner provided in the Prior Resolutions.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 1999 Bonds, provide evidence that there will be at least 185 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 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 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.

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 1999 Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed $100,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 1999 Bonds or the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 1999 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1999 Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 1999 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 1999 Bonds. The covenants contained in the Bond Legislation are in addition to the covenants contained in the Prior Resolutions which shall remain in full force and effect as long as the Prior Bonds are outstanding.

Section 5.02. Rates. So long as the Series 1999 Bonds are outstanding, 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 1999 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. Provided, however, that any rate covenants contained in the Prior Resolutions shall remain in full force and effect so long as the Prior Bonds are outstanding and, to the extent any such rate covenants require higher rates, such covenants shall be controlling.

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 Series 1999 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. 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 as provided in 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 1999 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 1999 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 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 Series 1999 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 1999 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 and shall take effect immediately upon the delivery of the Series 1999 Bonds. The statutory mortgage lien of the Bond is junior and subordinate to the statutory mortgage lien in favor of the holders of the 1973 Bonds, on a parity with the statutory mortgage lien in favor of the holders of the Second Lien Bonds and senior and prior to the statutory mortgage lien in favor of the holders of the 1987 B 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 1999 Bonds at the date specified for payment thereof; and

(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 1999 Bonds 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 Series 1999 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 1999 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 February 5, 1998, Case No. 97-0033-PWD-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 1999 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 1999 Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 1999 Bonds, 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 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 1999 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 1999 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) or 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 20, 1999.

RED SULPHUR PUBLIC SERVICE DISTRICT

Chairman

Member

Member

SPECIMEN

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1999
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$156,500

No. R-1 Date: May 20, 1999

FOR VALUE RECEIVED, RED SULPHUR 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 HUNDRED FIFTY-SIX THOUSAND FIVE HUNDRED DOLLARS ($156,500), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $719.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the combined waterworks and 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 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 May 20, 1999, 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 Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS JUNIOR AND SUBORDINATE, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1973 BONDS, DEFINED AND DESCRIBED IN THE RESOLUTION. 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 SECOND LIEN BONDS, DEFINED AND DESCRIBED IN THE RESOLUTION. THIS BOND IS SENIOR AND PRIOR, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT FROM SUCH REVENUES, AND IN ALL OTHER RESPECTS, TO THE 1987 B BONDS, DEFINED AND DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

Dennis Sibold
Chairman, Public Service Board

P. O. Box 697
Peterstown, West Virginia 24963

ATTEST:

Teresa C. Williams
Secretary, Public Service Board

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$48,200	5/19/99	(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:

_____

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bond, Series 1992

BOND RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF $1,979,000 COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1992, OF RED SULPHUR PUBLIC SERVICE DISTRICT, THE BOND BEING JUNIOR AND SUBORDINATE TO THE OUTSTANDING 1973 BONDS, ON A PARITY WITH THE OUTSTANDING 1987 A BONDS AND SENIOR AND PRIOR TO THE OUTSTANDING 1987 B BONDS 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 COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE DISTRICT AND 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 RED SULPHUR 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. Red Sulphur Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by The County Commission of Monroe County.

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

A. The Issuer now has a combined public waterworks and 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 waterworks 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 and extensions to the existing waterworks facilities of the Issuer, consisting of a water treatment plant, two water storage tanks, water distribution lines and the development of supplemental raw water sources in Peterstown and Lindside, 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 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 (hereinafter defined) 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 (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 will not exceed $3,679,000, of which $1,979,000 will be obtained from the proceeds of sale of the Bond herein authorized, $950,000 will be obtained from a grant by the Farmers Home Administration, and $750,000 will be obtained from a grant by the Department of Housing and Urban Development (Small Cities Block Grant).

E. It is necessary for the Issuer to issue its revenue bond in the principal amount of $1,979,000 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 allowable costs prior to the issuance of the Bond or for the repayment of indebtedness incurred by the Issuer for such purposes 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 is outstanding an obligation of the Issuer which will rank senior and prior to the Bond as to liens, pledge and source of and security for payment, being the Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973 (the "1973 Bonds"), issued in the original principal amount of $540,000, and presumed to be held by various members of the public.

There is outstanding an obligation 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 Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A (the "1987 A Bonds"), dated November 16, 1987, issued in the original principal amount of $738,647, and held by West Virginia Water Development Authority.

There is outstanding an obligation of the Issuer which will rank junior and subordinate to the Bond as to liens, pledge and source of and security for payment, being the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B (the "1987 B Bonds"), dated November 16, 1987, issued in the original principal amount of $181,173, and held by West Virginia Water Development Authority. The 1973 Bonds, the 1987 A Bonds and the 1987 B Bonds are hereinafter collectively referred to as the "Prior Bonds".

Other than the Prior Bonds, there are no outstanding bonds or obligations which will rank prior to or on a parity with the Bond as to liens, pledge and/or source of and security for payment.

H. It is in the best interest of the Issuer that the Bond be sold to the United States Department of Agriculture, Farmers Home Administration (the "Purchaser"), pursuant to the terms and provisions of a Letter of Conditions dated December 18, 1990, and all amendments thereto (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 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.

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. 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 Combined Waterworks and Sewerage System Revenue Bond, Series 1992, authorized hereby.

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

"Bonds" means, collectively, the Bond, the 1973 Bonds, the 1987 A Bonds and the 1987 B Bonds.

"1973 Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Refunding Bonds, of the Issuer described in Section 1.02G hereof.

"1987 A Bonds" or "Series 1987 A Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, of the Issuer described in Section 1.02G hereof.

"1987 B Bonds" or "Series 1987 B Bonds" means the outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, of the Issuer described in Section 1.02G hereof.
"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 Pentree Engineering, 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 First National Bank of Peterstown, Peterstown, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "combined waterworks and 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" or "Borrower" means Red Sulphur Public Service District, in Monroe County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means the Letter of Conditions of the Purchaser dated December 18, 1990, and all amendments thereto.

"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 Bonds and into the reserve accounts of the Bonds, the Depreciation Account and the Renewal and Replacement Fund have been made to the last monthly payment date prior to the date of such retention.

"Prior Bonds" means, collectively, the 1973 Bonds, the 1987 A Bonds and the 1987 B Bonds.

"Prior Resolutions" means, collectively, the 1973 Resolution and the 1987 Resolution.

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

"Purchaser" or "Government" means United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

"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

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 1973 Resolution, the 1987 Resolution and the Bond Legislation.

"1973 Resolution" means the resolution of the Issuer adopted July 14, 1973, authorizing the 1973 Bonds.

"1987 Resolution" means the resolution of the Issuer adopted November 12, 1987, authorizing the 1987 A Bonds and the 1987 B Bonds.

"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 combined public waterworks and sewerage system of the Issuer as improved, enlarged and expanded by the Project, and includes the complete combined waterworks and sewerage system of the Issuer and all 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 combined waterworks and sewerage system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the combined waterworks and 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.

Section 1.05. Compliance with Requirements of Prior Bonds and Prior Resolutions. The issuance of the Bond junior and subordinate to the 1973 Bonds is permitted under the terms of the 1973 Bonds and the 1973 Resolution, and the Issuer has complied with the terms of the 1973 Bonds and the 1973 Resolution with respect to the issuance of the Bond or obtained a waiver thereof. The Issuer is not in default under the terms of the 1973 Bonds, the 1973 Resolution or any document or agreement in connection therewith and has complied with all requirements of all the foregoing with respect to the issuance of the Bond.

The issuance of the Bond on a parity with the 1987 A Bonds is permitted under the terms of the 1987 A Bonds and the 1987 Resolution, and the Issuer has complied with the terms of the 1987 A Bonds and the 1987 Resolution with respect to the issuance of the Bond or obtained a waiver thereof. The Issuer is not in default under the terms of the 1987 A Bonds, the 1987 Resolution or any document or agreement in connection therewith and has complied with all requirements of all the foregoing with respect to the issuance of the Bond.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $3,679,000, 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 Bond hereby authorized shall be applied as provided in Article IV hereof.

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

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 "Combined Waterworks and Sewerage System Revenue Bond, Series 1992," is hereby authorized to be issued in the aggregate principal amount of not exceeding $1,979,000 for the purpose of permanently 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 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 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 Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Bond shall initially be fully registered as to both principal and interest in the name of the United States of America, Farmers Home Administration. So long as the Bond shall be registered in the name of the United States of America, Farmers Home Administration, the address of the United States of America, Farmers Home Administration, for registration purposes shall be Post Office Box 678, Morgantown, West Virginia 26505, or such other address as shall be stated in writing to the Issuer by the United States of America, Farmers Home Administration.

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 lien on the Net Revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for, but such liens and pledge are junior and subordinate to the liens and pledge of the 1973 Bonds, on a parity with the liens and pledge of the 1987 A Bonds and senior and prior to the liens and pledge of the 1987 B Bonds. 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 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)

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 19____

$1,979,000

No. R-1 Date: _____

FOR VALUE RECEIVED, RED SULPHUR PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, Farmers Home Administration (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 NINE HUNDRED SEVENTY-NINE THOUSAND DOLLARS ($1,979,000), plus interest on the unpaid principal balance at the rate of 5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $9,717, 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 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 additions, extensions and improvements to the combined waterworks and sewerage system (the "System") of 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 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 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 Borrower authorizing issuance of this Bond (the "Resolution").

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

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

This Bond is junior and subordinate, as to liens, pledge and source of and security for payment from such revenues, and in all other respects, to the 1973 Bonds, defined and described in the Resolution. 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 1987 A Bonds, defined and described in the Resolution. This Bond is senior and prior, as to liens, pledge and source of and security for payment from such revenues, and in all other respects, to the 1987 B Bonds, defined and described in the Resolution.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 697
(P. O. Box No. or Street Address)

Peterstown, West Virginia 24963
(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)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	
	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 and Commission. A. The following special funds or accounts are hereby created and established with (or continued if previously established by the 1976 Resolution or the 1987 Resolution), 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 1973 Resolution);

(2) Depreciation Account (established by the 1973 Resolution);

(3) Renewal and Replacement Fund (established by the 1987 Resolution);

(4) 1992 Reserve Account; and

(5) Project Construction Account.

B. The following special funds or accounts previously established by the 1973 Resolution and the 1987 Resolution are hereby continued with the Commission:

(1) The Sinking Fund established for the 1973 Bonds (herein called the "1973 Bonds Sinking Fund");

(a) Within the 1973 Bonds Sinking Fund, the Reserve Account established for the 1973 Bonds (the "1973 Bonds Reserve Account");

(2) Series 1987 A Bonds Sinking Fund established for the 1987 A Bonds;

(a) Within the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account established for the 1987 A Bonds; and

(3) Series 1987 B Bonds Sinking Fund established for the 1987 B Bonds;

(a) Within the Series 1987 B Bonds Sinking Fund, the Series 1987 B Bonds Reserve Account established for the 1987 B Bonds.

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 accounts of the respective Bonds, sums sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the respective Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of such payment, the Issuer further covenants with the holders of the Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and 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 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 and in accordance with the terms of the Prior Resolutions and this Bond Legislation:

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

(2) The Issuer shall next, before the end of each month, transfer from the Revenue Fund and remit to the Commission for deposit into the 1973 Bonds Sinking Fund, 1/6th of the amount required to pay the interest on the 1973 Bonds which will mature and become due on the next interest payment date; and shall also monthly transfer from the Revenue Fund and remit to the Commission, for deposit into the 1973 Bonds Sinking Fund, 1/12th of the amount required to pay the principal of the 1973 Bonds which will mature and become due on the next succeeding January 1, which payments for principal and interest required to be remitted to the Commission in each June and December shall be so remitted not later than each June 15 and December 15.

The Issuer shall also, from the Revenue Fund, remit to the Commission, at such times as the Commission shall require, such additional sums, if any, as shall be necessary to pay the fiscal charges due for paying the 1973 Bonds and the interest thereon.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Commission, for deposit into the 1973 Bonds Reserve Account, in the 1973 Bonds Sinking Fund, the sum of $300, until the amount in the 1973 Bonds Reserve Account equals $36,000. After such amount has been accumulated in the

1973 Bonds Reserve Account, the Issuer shall monthly remit to the Commission such part of the moneys remaining in the Revenue Fund, after such provision for payment of maturing principal of and interest on the 1973 Bonds, as shall be required to maintain such amount in the 1973 Bonds Reserve Account. Moneys in the 1973 Bonds Reserve Account shall be used solely to make up any deficiency in the 1973 Bonds Sinking Fund for payment of the principal of and interest on the 1973 Bonds as the same shall mature hereinafter provided and for no other purpose.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Account heretofore established by the 1973 Resolution a sum equal to not less than 5% of the Gross Revenues derived from the operation of the System during the preceding month; provided however, that no further payments shall be made into the Depreciation Account when there shall have been deposited therein, and so long as these shall remain on deposit therein, the sum of $30,000. Moneys in the Depreciation Account shall be used only for replacement or addition of capital assets of the System, except that such moneys may be transferred to the 1973 Bonds Sinking Fund under the circumstances prescribed by Section 3.02(B)(5) of the 1973 Resolution.

(5) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, (a) on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1987 A 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 Series 1987 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1987 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then

such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date; (b) on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1987 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date; and (c) on or before the due date of each installment on the Bond, transfer from the Revenue Fund and pay to the National Finance Office designated in the Bond (or such other place as may be subsequently designated pursuant to the Bond), the amounts required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond issue. All payments on the Series 1987 A Bonds and the Bond 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.

(6) The Issuer shall also, on the first day of each month, (a) commencing 13 months prior to the first date of payment of principal of the Series 1987 A Bonds, if not fully funded upon issuance of the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1987 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1987 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 1987 A Bonds Reserve Requirement as defined in the 1987 Resolution and (b) transfer from the Revenue Fund and deposit in the 1992 Reserve Account, 1/12th of 1/10th of the amount equal to the maximum amount of principal and interest becoming due on the Bond in any year, until the amount in the 1992 Reserve Account equals such maximum amount (the "1992 Minimum Reserve"). After the 1992 Minimum Reserve has been accumulated in the 1992 Reserve Account, the Issuer shall monthly deposit into the 1992 Reserve Account such part of the moneys remaining in the Revenue Fund, after such provision for the payments hereinabove provided, as shall be required to maintain the 1992 Minimum Reserve in the 1992 Reserve Account. Moneys in the 1992 Reserve Account 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 (or other place provided) 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; provided, however, that when the 1992 Minimum Reserve has been accumulated in the 1992 Reserve Account, all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund and used for prepayment of the principal of the Bond.

(7) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, 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 the Series 1987 A Bonds 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 of the 1987 Resolution. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements

Series 1987 B Bonds Reserve Requirement as defined in the 1987 Resolution.

(10) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the 1973 Bonds outstanding and, thereafter, to prepay installments of the 1987 A Bonds and the Bond outstanding and, thereafter the 1987 B Bonds or for any lawful purpose.

Whenever the moneys in the 1992 Reserve Account 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 and by the Prior Resolutions designated as the Fiscal Agent for the administration of the 1992 Reserve Account, the Depreciation Account and the Renewal and Replacement Fund as herein and therein provided, and all amounts required for the 1992 Reserve Account, the Depreciation Account and the Renewal and Replacement Fund will be deposited by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein and in the Prior Resolutions, together with written advice stating the amount remitted for deposit into each such fund.

All funds and accounts provided for in this Article (excluding the Project Construction Account) shall constitute trust funds and shall be used only for the purposes and in the order provided herein and in the Prior Resolutions, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bond and the interest thereon, which lien shall be junior and subordinate to the liens of the holders of the 1973 Bonds, 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 or accounts as hereinabove and in the Prior Resolutions 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 Depository Bank, at the direction of the Issuer, shall keep the moneys in the Depreciation Account invested and reinvested to the fullest extent practicable in direct obligations of the United States of America, as provided in the 1973 Resolution. The Depository Bank, at the direction of the Issuer, shall keep the moneys in the Renewal and Replacement Fund invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments, as provided in the 1987 Resolution. The Depository Bank, at the direction of the Issuer, shall keep the moneys in the 1992 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 in the Prior Resolutions or herein, or unless otherwise 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. Except as otherwise required in the Prior Resolutions, 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.

C. CHANGE OF DEPOSITORY BANK AND 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 and 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 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

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 1992 Reserve Account 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 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 the payment and deposits on account of the 1973 Bonds, the 1987 A Bonds, the 1987 B Bonds, the Depreciation Account and the Renewal and Replacement Fund, plus Net Revenues equal to not less than 110% of the annual debt service on the Bond and sufficient to make the payments required herein into the 1992 Reserve Account 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 or all 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) 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.

(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 5.06. 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. The statutory mortgage lien of the Bond is junior and subordinate to the statutory mortgage lien in favor of the holders of the 1973 Bonds, on a parity with the statutory mortgage lien in favor of the holders of the 1987 A Bonds and senior and prior to the statutory mortgage lien in favor of the holders of the 1987 B Bonds.

Section 5.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

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.

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 order of the Public Service Commission of West Virginia, entered on December 30, 1991, Case No. 90-825-PWD-CN, which 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 dignity, 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 Purchaser.

Section 7.03. Delivery of Bond No. R-1. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause Bond No. R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 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. Conflicting Provisions Repealed. All other 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) or 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 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: July 14, 1992.

Dennis Liebold
Chairman of Public Service Board

Robert M Williamson
Member

E S. Wheatley
Member

07/10/92
REDB.A5
74291/90001

(SPECIMEN BOND)

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1992

$1,979,000

No. R-1 Date: July 14, 1992

FOR VALUE RECEIVED, RED SULPHUR PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, Farmers Home Administration (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 NINE HUNDRED SEVENTY-NINE THOUSAND DOLLARS ($1,979,000), plus interest on the unpaid principal balance at the rate of 5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $9,717, 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 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 additions, extensions and improvements to the combined waterworks and sewerage system (the "System") of 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 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 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 Borrower authorizing issuance of this Bond (the "Resolution").

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

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

This Bond is junior and subordinate, as to liens, pledge and source of and security for payment from such revenues, and in all other respects, to the 1973 Bonds, defined and described in the Resolution. 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 1987 A Bonds, defined and described in the Resolution. This Bond is senior and prior, as to liens, pledge and source of and security for payment from such revenues, and in all other respects, to the 1987 B Bonds, defined and described in the Resolution.

IN WITNESS WHEREOF, RED SULPHUR 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.

RED SULPHUR PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

_____

Chairman, Public Service Board
P. O. Box 697
Peterstown, West Virginia 24963

ATTEST:

_____

Secretary, Public Service Board

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	
		TOTAL		$	

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

RED SULPHUR PUBLIC SERVICE DISTRICT

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 1987 A AND SERIES 1987 B
and
INTERIM CONSTRUCTION FINANCING

BOND AND NOTES RESOLUTION

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RED SULPHUR PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A, NOT MORE THAN $400,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, AND NOT MORE THAN $1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR BOTH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF RED SULPHUR 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 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

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

B. The Issuer presently owns and operates a combined public waterworks and sewage treatment, collection and transportation system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements for such existing sewerage facilities of the Issuer (the "Project") which constitute properties for the treatment and collection of liquid or solid wastes, sewage or industrial wastes (the Issuer's existing waterworks and sewerage system, together with the Project and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of $2,693,860, 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 the costs of the operation and maintenance of said System, the principal of and interest on the Bonds (as hereinafter defined) and all Sinking Fund, Reserve Account and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds in the total aggregate principal amount of not more than $1,400,000 in two series, being the Series 1987 A Bonds in the aggregate principal amount of not more than $1,000,000, and the Series 1987 B Bonds in the aggregate principal amount of not more than $400,000 (collectively, the "Bonds"), and (at the option of the Issuer) to issue contemporaneously therewith, or as soon as practicable thereafter, its combined waterworks and sewerage system grant anticipation notes, or a note or notes evidencing a line of credit, or both (collectively, the "Notes") in the aggregate principal amount of not more than $1,000,000 to temporarily finance costs of construction and acquisition 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 upon the Notes during the term thereof and upon the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; 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 of the Authority (as hereinafter

defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and Notes 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 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 Bonds or Notes 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 Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement (collectively, the "Loan Agreement") both dated August 21, 1987, entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, and attached hereto as "Exhibit A," and made a part hereof.

G. There are outstanding obligations of the Issuer which will rank senior and prior to the Bonds as to lien and source of and security for payment being the Issuer's Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973, and issued in the original aggregate principal amount of $540,000 (the "1973 Bonds"). The Series 1987 B Bonds shall be junior and subordinate to both the 1973 Bonds and the Series 1987 A Bonds as set forth herein. The Notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture or the Supplemental Resolution authorizing the Notes, if any.

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 Bonds and the Notes, or will have so complied prior to issuance of any thereof, including, among other things, 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.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and such Noteholders, 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 Bonds and Notes, respectively, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series and between any one Note and any other Note, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"ARC Grant" means the grant from Appalachian Regional Commission pursuant to the commitment therefor.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

"Bondholder," "Holder of the Bonds," "Holder" 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 and Notes Resolution" or "Local Act" means this Bond and Notes Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

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

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

"Bonds" means the Original Bonds, and any bonds on a parity therewith authorized to be issued hereunder.

"1973 Bonds" means the Issuer's Combined Waterworks and Sewerage System Revenue Refunding Bonds, dated July 1, 1973, issued in the original aggregate principal amount of $540,000.

"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, and regulations promulgated pursuant thereto.

"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 G. A. Tice, Incorporated, Beckley, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D 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 Bonds 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.

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

"Eligible Costs" means Costs of the Project which are reimbursable in full on a dollar-for-dollar basis from EPA Grant Receipts, the total of which are equal in amount to the EPA Grant.

"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

"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 Bond, 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 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 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.

"Grant Agreement" means a written commitment for the payment of the EPA Grant or any of the Other Grants, 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 Grant is to be paid to the Issuer; provided that, "EPA Grant Agreement" means only the Grant Agreement relating to the EPA Grant and "Other Grant

Agreements" means only those Grant Agreements relating to the Other Grants.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of the Notes; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

"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 bonds 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 use such other fund to pay Debt Service;

(v) Amounts in the Reserve Accounts 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, 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.

"Indenture" or "Trust Indenture" means the Trust Indenture which may be entered into between the Issuer and the Trustee relating to the Notes and all supplements or amendments thereto.

"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 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 Red Sulphur Public Service District, in Monroe County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, both dated August 21, 1987, heretofore entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer ratified and confirmed by, this Resolution or a resolution adopted by the Issuer prior to the adoption of this Resolution.

"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 Reserve Accounts.

"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.

"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" or "GAN" means collectively, the not more than $1,000,000 in aggregate principal amount of Sewerage System Grant Anticipation Notes, originally authorized hereby, or the not more than $1,000,000 in aggregate principal amount of a note or notes evidencing a line of credit originally authorized hereby, and unless the context clearly indicates otherwise, the terms "Notes" or "GAN" includes any refunding Notes or GAN of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by Section 4.02 of the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by Section 4.01 of the Indenture.

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

"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, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or 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.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the Series 1987 A Bonds and the Series 1987 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event grant anticipation notes are issued, such original purchaser of the Notes as shall be named in a resolution supplemental hereto, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Other Grants" means collectively, the ARC Grant and any other grant hereafter received by the Issuer to aid in financing any Costs.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by Section 4.02 of the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by Section 4.01 of the Indenture.

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

"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, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or 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.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the Series 1987 A Bonds and the Series 1987 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event grant anticipation notes are issued, such original purchaser of the Notes as shall be named in a resolution supplemental hereto, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Other Grants" means collectively, the ARC Grant and any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to the 1973 Bonds, Bonds or Notes and as of any particular date, describes all 1973 Bonds, Bonds theretofore and thereupon being authenticated and delivered or all Notes theretofore and thereupon being authenticated and delivered except (i) any Bond or Note cancelled by the Bond Registrar, or Notes Registrar, at or prior to said date; (ii) any 1973 Bonds, Bond or Note for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be in trust hereunder or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any 1973 Bonds, Bond or Note deemed to have been paid as provided in the 1973 Resolution, Article X hereof or Article VIII of the Indenture, as applicable; and (iv) for purposes of consents or other action by a specified percentage of holders of 1973 Bonds, Bondholders or Noteholders, any 1973 Bonds, Bonds or Notes 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 bank or banks or other entity designated as such for the Bonds and/or the Notes in the Indenture or in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain improvements for the existing sewage treatment plant of the Issuer, together with extensions, additions and improvements for the existing sewage collection and transportation lines to serve the Peterstown area of the Issuer and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting

in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Bonds are privately placed, the price paid by the first buyer of the Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the 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 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 Investment Agreement which, in the event Notes are issued, may be entered into by and between the Trustee and the bank designated as "Investment Bank" in the Supplemental Resolution;

(i) 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

(j) Obligations of States or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's

Investors Service, Inc. or Standard & Poor's Corporation.

"Registered Owner," "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 as appropriate, either the Bond Registrar or the Notes Registrar or both.

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

"1973 Resolution" means the resolution of the Issuer adopted July 14, 1973, pursuant to which the 1973 Bonds were issued.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01 hereof.

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

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

"Series 1987 A Bonds" or "Series A Bonds" means the not more than $1,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1987 A, of the Issuer.

"Series 1987 A Bonds Reserve Account" means the Series 1987 A Bonds Reserve Account established in the Series 1987 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1987 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 1987 A Bonds in any year.

"Series 1987 A Bonds Sinking Fund" means the Series 1987 A Sinking Fund established by Section 5.02 hereof.

"Series 1987 B Bonds" or "Series B Bonds" means the not more than $400,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1987 B, of the Issuer.

"Series 1987 B Bonds Reserve Account" means the Series 1987 B Bonds Reserve Account established in the Series 1987 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1987 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1987 B Bonds in any year.

"Series 1987 B Bonds Sinking Fund" means the Series 1987 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 resolutions authorizing the sale of the Notes or the Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Notes or the Original Bonds, as the case may be, 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 1973 Bonds, the Bonds or any other obligations of the Issuer, including the Renewal and Replacement Fund and the Reserve Accounts, and all other reserve accounts, depreciation accounts and any similar funds or accounts relating to the 1973 Bonds.

"System" means the existing combined public waterworks and sewerage system of the Issuer in its entirety, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

"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.

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 CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby authorized the construction and acquisition of the Project, at an estimated cost of $2,693,860, 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 Notes and the Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively.

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 1987 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any of such purposes, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $1,400,000. Said Bonds shall be issued in two series, to be designated respectively, "Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A," in the aggregate principal amount of not more than $1,000,000, and "Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B," in the aggregate principal amount of not more than $400,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the Notes, if any. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution. The 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 Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate

principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The 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 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the 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 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 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 in the manner provided hereinafter in the form of said Bonds.

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate 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 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 respective Reserve Accounts. 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 3.08. Bonds Secured by Subordinate Pledge of Net Revenues; Series 1987 B Bonds to be Junior and Subordinate to Series 1987 A Bonds. The payment of the debt service of all the Series 1987 A Bonds shall be secured forthwith equally and ratably with each other, by a lien on the Net Revenues derived from the System, junior and subordinate to the lien thereon in favor of the holders of the 1973 Bonds. The payment of the debt service of all the Series 1987 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of both the 1973 Bonds and the Series 1987 A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds after all payments required to be made on account of the 1973 Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Renewal and Replacement Fund hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Bonds shall be in substantially the following 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 1987 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe 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 _____ ($_____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 19____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this series (the "Bonds") during the construction of the Project and for approximately _____ months thereafter; and (iii) 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on _____, 1987 (collectively called 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 contemporaneously with the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, of the Issuer (the "Series 1987 B Bonds"), issued in the aggregate principal amount of $_____, which Series 1987 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

This Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation), moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1987 A Bonds Reserve Account"), and unexpended proceeds of the Bonds and the Series 1987 B 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 moneys in the Series 1987 A Bonds Reserve Account and unexpended Bond proceeds. 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 amount required to pay the maximum amount due in any year of principal of and interest

on the Bonds, the Series 1987 B Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1987 B Bonds, provided however, that so long as there exists in the Series 1987 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 any year, and in the respective reserve accounts established for the Series 1987 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1987 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond 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 Bond Legislation, 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.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIEN AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $540,000.

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 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, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1987.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 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: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1987 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe 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 _____ ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities portion of the combined waterworks and sewerage 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on _____, 1987 (collectively called 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 payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation) after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1987 A Bonds herein described and to all moneys in the Reserve Account (the "Series 1987 B Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), 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, except from said special fund provided from the Net Revenues, the moneys in the Series 1987 B Bonds Reserve Account and unexpended Bond proceeds. 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 amount required to pay the maximum amount due in any year of principal of and interest, if any, on the Bonds, the Series 1987 A Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Series 1987 A Bonds or the Bonds, provided however, that so long as there exists in the Series 1987 B Bonds Reserve Account and the reserve account established for the Series 1987 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1987 A Bonds in any year, and any reserve account for any such prior or parity obligations is funded at least at 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 One Valley Bank, National Association, 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as 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 Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1987 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS OF THE ISSUER, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $540,000, AND THE SEWER REVENUE BONDS, SERIES 1987 A, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ OF THE ISSUER, ISSUED CONCURRENTLY HEREWITH AND DESCRIBED IN THE BOND LEGISLATION.

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 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, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1987.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 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: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Ratification of Execution of Loan Agreement with Authority. The Original 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, ratified and approved.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed $1,000,000. The Notes may be in the form of grant anticipation notes or as evidence of a line of credit from a commercial bank or other lender, at the discretion of the Issuer, and as shall be set forth in a resolution supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or supplemental resolution, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the Grant Receipts, Surplus Revenues, letter of credit proceeds, if any, and other sources described in the Indenture or supplemental resolution. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for the Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed $1,000,000 in the aggregate. In the event of a draw under

any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter of letter of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if previously established by the 1973 Resolution) with 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 1973 Resolution);

(2) Depreciation Account (established by the 1973 Resolution);

(3) Renewal and Replacement Fund; and

(4) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established (or continued if previously established by the 1973 Resolution) with the Commission:

(1) The Sinking Fund established for the 1973 Bonds (herein called the "1973 Bonds Sinking Fund");

(a) Within the 1973 Bonds Sinking Fund, the Reserve Account established for the 1973 Bonds (the "1973 Bonds Reserve Account");

(2) Series 1987 A Bonds Sinking Fund;

(a) Within the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account.

(3) Series 1987 B Bonds Sinking Fund;

(a) Within the Series 1987 B Bonds Sinking Fund, the Series 1987 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 herein provided.

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

(2) The Issuer shall next, before the end of each month, transfer from the Revenue Fund and remit to the Commission for deposit into the 1973 Bonds Sinking Fund, 1/6th of the amount required to pay the interest on the 1973 Bonds which will mature and become due on the next interest payment date; and shall also monthly transfer from the Revenue Fund and remit to the Commission, for deposit into the 1973 Bonds Sinking Fund, 1/12th of the amount required to pay the principal of the 1973 Bonds which will mature and become due on the next succeeding January 1, which payments for principal and interest required to be remitted to the Commission in each June and December shall be so remitted not later than each June 15 and December 15.

The Issuer shall also, from the Revenue Fund, remit to the Commission, at such times as the Commission shall require, such additional sums, if any, as shall be necessary to pay the fiscal charges due for paying the 1973 Bonds and the interest thereon.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Commission, for deposit into the 1973 Bonds Reserve Account, in the 1973 Bonds Sinking Fund, the sum of $300, until the amount in the 1973 Bonds Reserve Account equals $36,000. After such amount has been accumulated in the 1973 Reserve Account, the Issuer shall monthly remit to the Commission such part of the moneys remaining in the Revenue Fund, after such provision for payment of maturing principal of and interest on the 1973 Bonds, as shall be required to maintain such amount in the 1973 Bonds Reserve Account. Moneys in the 1973 Bonds Reserve Account shall be used solely to make up any deficiency in the 1973 Sinking Fund for payment of the principal of and interest on the 1973 Bonds as the same shall mature hereinafter provided and for no other purpose.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Account heretofore established by the 1973 Resolution a sum equal to not less than 5% of the Gross Revenues derived from the operation of the

System during the preceding month; provided however, that no further payments shall be made into the Depreciation Account when there shall have been deposited therein, and so long as these shall remain on deposit therein, the sum of $30,000. Moneys in the Depreciation Account shall be used only for replacement or addition of capital assets of the System, except that such moneys may be transferred to the 1973 Bonds Sinking Fund under the circumstances prescribed by Section 3.02(B)(5) of the 1973 Resolution.

(5) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1987 A 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 Series 1987 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1987 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(6) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1987 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1987 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(7) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1987 A Bonds, if not fully funded upon issuance of the Series 1987 A Bonds, apportion and set apart out of the Revenue Fund and remit

to the Commission for deposit in the Series 1987 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1987 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1987 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 1987 A Bonds Reserve Requirement.

(8) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, 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 the Series 1987 A Bonds 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 Series 1987 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account has not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(9) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1987 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1987 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1987 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(10) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1987 B Bonds, if not fully funded upon issuance of the Series 1987 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1987 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1987 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1987 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 1987 B Bonds Reserve Requirement.

Moneys in the Series 1987 A Bonds Sinking Fund and the Series 1987 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1987 A Bonds Reserve Account and the Series 1987 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, for deposit in the Revenue Fund, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be applied in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1987 A Bonds Reserve Account which result in a reduction in the balance of the Series 1987 A Bonds Reserve Account to below the Series 1987 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1987 A Bonds Sinking Fund for payment of debt service on the Bonds have been made in full.

Any withdrawals from the Series 1987 B Bonds Reserve Account which result in a reduction in the balance of the Series 1987 B Bonds Reserve Account to below the

Series 1987 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1987 A Bonds Sinking Fund, the Series 1987 A Bonds Reserve Account, the Renewal and Replacement Fund and the Series 1987 B Bonds Sinking Fund have been made in full.

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 Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in an amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 1987 A Bonds Sinking Fund, or the Series 1987 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts 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 respective maturities thereof.

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

The payments into the Sinking Funds 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 Bond Legislation.

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. 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 said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the several funds and accounts described herein and in the 1973 Resolution on account of the 1973 Bonds and the Bonds 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, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund, as defined in the Indenture.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by 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.

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

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received 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. From the proceeds of the Series 1987 A Bonds there shall first be paid any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

B. From the proceeds of the Series 1987 A Bonds, there shall next be deposited with the Commission in the Series 1987 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1987 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 1987 A Bonds, there shall be deposited with the Commission in the Series 1987 A Bonds Reserve Account and from the proceeds of the Series 1987 B Bonds, there shall be deposited with the Commission in the Series 1987 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

D. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. 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 the Bond Legislation and Indenture (if any). Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended, are hereby pledged as additional security for the Series 1987 A Bonds, and thereafter for the Series 1987 B Bonds. In the event that Notes are issued, the disposition of funds in the Bonds Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Bond Construction Trust Fund, except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer 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 disbursement 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 Conatruction 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 direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1987 A Bonds Reserve Account, and when fully funded to the Series 1987 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on

the respective Series of Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the 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.

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.04 and Section 7.09 shall not be applied to the Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Subordinate Pledge of Net Revenues. The payment of the debt service of the Series 1987 A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System junior and subordinate to the lien in favor of the Holders of the 1973 Bonds and payment of the debt service of the Series 1987 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues junior and subordinate to the lien on said Net Revenues in favor of the Holders of the 1973 Bonds and the Series 1987 A Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and

interest on the 1973 Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Order of the Public Service Commission of West Virginia entered October 30, 1987 (Case No. 86-616-S-CN).

Section 7.05. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Resolution in accordance with Section 10.01 hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, 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 at maturity of and interest on the Bonds. Any balance remaining after the 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. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

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, 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 with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds 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, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to the Notes issued under the Indenture or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture and the Bond Legislation; and, 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 additional Bonds on a parity with the Series 1987 B Bonds only may be issued as provided for in Section 7.07 hereof. 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 Series 1987 A Bonds and the Series 1987 B Bonds; provided, that no such subordinate 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 subordinate 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 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.

Section 7.07. 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 Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1987 B Bonds. No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1987 A Bonds, unless the Series 1987 B Bonds are no longer outstanding.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has 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 Parity Bonds.

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

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

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

Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1987 A Bonds and the Series 1987 B 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 Series 1987 A Bonds or the Series 1987 B Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 7.08. 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 any Holder of a Bond or Bonds or of a Note or Notes issued pursuant to this Bond Legislation or the Trustee 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 Consulting Engineers, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or 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 Bond Legislation and the Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

(C) The amount of any 1973 Bonds, Bonds, Notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and 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 Bonds or Notes, as the case may be, and shall file said report with the Trustee and the Authority, or any other original purchaser of the Bonds.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said 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 reasonable expenses of operation, repair and maintenance 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 Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that an amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the 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 Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. 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 expenditures for operation and maintenance of the System during the succeeding Fiscal Year. 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 Trustee and the Authority and to any Holder of any Bonds or Notes, as the case may be, 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 Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. 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 7.12. 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 of the Issuer, 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.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department,

agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds or the Notes 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 said 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 in the full insurable value thereof, 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 $100,000 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, to the extent available at reasonable cost to the Issuer.

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. In the event the Issuer requires the Loan Agreement, 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 7.15. 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 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 7.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.17. 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 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 Bonds during the term thereof is, under the terms of the 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 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 Bonds during the term thereof is, under the terms of the 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 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 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 that portion of the Project to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the 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 all actions that may be required of it so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the 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 Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1987 A Bonds shall be junior to the statutory mortgage lien in favor of the Holders of the 1973 Bonds and senior to the statutory mortgage lien in favor of the Holders of the Series 1987 B Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, 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 Bond Legislation, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, 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 Trustee, if any, 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 Trustee, if any, 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 Regulations, 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 Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the 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 the last day of each Bond Year or on the preceding business day in the event that such last day is not a business day, the 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 be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Original Purchaser and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Purchaser and 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 of 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 Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a

proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the 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 of 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 in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER 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 that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. 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.

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 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 Bond Legislation, any supplemental resolution, the Indenture 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 Trustee, any other bank or banking association holding any fund or account hereunder 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.

B. 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 Bond Legislation, 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, Registrar or any other Paying Agent or a Holder of a Bond; or

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note

or Bond, 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 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 Notes or Bonds, 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 or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders, and provided further, that all rights and remedies of the Holders of the Series 1987 B Bonds shall be subject to those of the Holders of the Series 1987 A Bonds and all rights and remedies of the Holders of the Bonds shall be subject to those of the Holders of the 1973 Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System 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 possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1987 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1987 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 1987 A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1987 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1987 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1987 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1987 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1987 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1987 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or

its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1987 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1987 B Bonds, the principal 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 1987 B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1987 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1987 B 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of and interest on such Series 1987 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1987 B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1987 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1987 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the

purpose of this section, securities shall mean and include only Government Obligations.

Section 10.03. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to the Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders 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 Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes or Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively, 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 or 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 exemption from federal income taxation of interest on the Bonds and the Notes.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Bonds and Notes, 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, the Indenture, if any, the Bonds 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 or resolutions and or parts thereof in conflict with the

provisions of this Resolution are, to the extent of such conflict, hereby repealed provided that, in the event of any conflict between this Resolution and the 1973 Resolution, the 1973 shall control, so long as the 1973 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 enactment 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 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 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 Red Sulphur Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The respective maximum amounts of the Bonds and Notes to be issued;

(b) The respective maximum interest rates and terms of the Bonds and the Notes originally 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 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 12th day of November, 1987.

Basil S. Meadows
Chairman, Public Service Board

Dennis Sibold
Member, Public Service Board

Edward L. Ferguson
Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution adopted by the Public Service Board of Red Sulphur on the 12th day of November, 1987.

Dated: 11-16, 1987

[SEAL]

Dennis Liebel
Secretary, Public Service Board

11/15/87
RSPSD2/3-A/A

"EXHIBIT A"

[Included as Document Nos. 3 and 4 of Bond Transcript]

RED SULPHUR PUBLIC SERVICE DISTRICT

Combined Waterworks and Sewerage System Revenue Bonds,
Series 1987 A and Series 1987 B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A AND SERIES 1987 B OF RED SULPHUR PUBLIC SERVICE DISTRICT; AUTHORIZING, APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO 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 Red Sulphur Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective November 12, 1987 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF RED SULPHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 A, NOT MORE THAN $400,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1987 B, AND NOT MORE THAN $1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR BOTH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN

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

WHEREAS, the Bond Resolution provides for the issuance of Combined Waterworks and Sewerage System Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $1,000,000, to be issued in two series, the Series 1987 A Bonds to be in an aggregate principal amount of not more than $800,000 (the "Series 1987 A Bonds") and the Series 1987 B Bonds to be in an aggregate principal amount of not more than $200,000 (the "Series 1987 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 1987 A Bonds dated August 21, 1987, and a supplemental loan agreement relating to the Series 1987 B Bonds, also dated August 21, 1987 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A, West Virginia Code, 1931, as amended (the "Act"); and in the Bond Resolution it is provided that the exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the 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 and that the Loan Agreement be entered into and ratified by the Issuer, that the exact principal amounts, the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates 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 RED SULPHUR 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:

(A) The Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $738,647. The Series 1987 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2026, shall bear interest at the rate of 8.38% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable April 1, 1988, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1987 A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1987 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $181,173. The Series 1987 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2026, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1987 B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve, accept and ratify the Loan Agreement, copies of which are 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 Issuer are hereby ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds 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 One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, 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, as Paying Agent for the Bonds.

Section 6. The Issuer does hereby appoint and designate First National Bank of Peterstown, Peterstown, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. Series 1987 A Bond Proceeds in the amount of $96,500 shall be deposited in the Series 1987 A Sinking Fund, as capitalized interest.

Section 8. Series 1987 A Bond Proceeds in the amount of $-0- shall be deposited in the Series 1987 A Bonds Reserve Account and Series 1987 B Bond Proceeds in the amount of $-0- shall be deposited in the Series 1987 B Bonds Reserve Account.

Section 9. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about November 16, 1987, to the Authority pursuant to the Loan Agreement.

Section 10. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 11. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution in the West Virginia "Consolidated Fund," and therefore the Issuer hereby directs the Depository Bank and the Paying Agent to take such actions as may be necessary to cause such moneys to be invested in the Consolidated Fund, until further directed by the Issuer.

Section 12. 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 Internal Revenue Code of 1986, as amended, and

any regulations promulgated thereunder (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. They will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, including, but not limited to, any borrowings incurred for the purpose of paying engineering or design costs.

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

Adopted this 12th day of November, 1987.

RED SULPHUR PUBLIC SERVICE DISTRICT

Basil F Meadows
Chairman

11/12/87
RSPSD1-B

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 A

No. AR-1 $738,647

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe 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 SEVEN HUNDRED THIRTY-EIGHT THOUSAND, SIX HUNDRED FORTY-SEVEN DOLLARS ($738,647), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning April 1, 1988. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated August 21, 1987.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the sewerage facilities portion of the combined waterworks and sewerage system of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this series (the "Bonds") during the construction of the Project and for approximately 6 months thereafter; and (iii) 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on November 12, 1987 (collectively called 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 contemporaneously with the Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, of the Issuer (the "Series 1987 B Bonds"), issued in the aggregate principal amount of $181,173, which Series 1987 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the Bonds.

This Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation), moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1987 A Bonds Reserve Account"), and unexpended proceeds of the Bonds and the Series 1987 B 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 moneys in the Series 1987 A Bonds Reserve Account and unexpended Bond proceeds. 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 amount required to pay the maximum amount due in any year of principal of and interest

on the Bonds, the Series 1987 B Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1987 B Bonds, provided however, that so long as there exists in the Series 1987 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 any year, and in the respective reserve accounts established for the Series 1987 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1987 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond 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 Bond Legislation, 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.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIEN AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $540,000.

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 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, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated November 16, 1987.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 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: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

RED [illegible]PHUR PSD

ANALYSIS OF 7.00% BORROWING COST FOR LOCAL ISSUER

---------- 1986 SERIES A BONDS ----------

PERIOD ENDING 10/1	COUPON	PRIN.	INTEREST	DEBT SERVICE
1988	8.38		54,161.29	54,161.29
1989	8.38	3,052	61,898.62	64,950.62
1990	8.38	3,307	61,642.86	64,949.86
1991	8.38	3,585	61,365.74	64,950.74
1992	8.38	3,885	61,065.31	64,950.31
1993	8.38	4,210	60,739.75	64,949.75
1994	8.38	4,563	60,386.95	64,949.95
1995	8.38	4,946	60,004.57	64,950.57
1996	8.38	5,360	59,590.10	64,950.10
1997	8.38	5,809	59,140.93	64,949.93
1998	8.38	6,296	58,654.13	64,950.13
1999	8.38	6,823	58,126.53	64,949.53
2000	8.38	7,395	57,554.76	64,949.76
2001	8.38	8,015	56,935.06	64,950.06
2002	8.38	8,686	56,263.40	64,949.40
2003	8.38	9,415	55,535.52	64,950.52
2004	8.38	10,203	54,746.54	64,949.54
2005	8.38	11,058	53,891.53	64,949.53
2006	8.38	11,985	52,964.87	64,949.87
2007	8.38	12,990	51,960.53	64,950.53
2008	8.38	14,078	50,871.96	64,949.96
2009	8.38	15,258	49,692.23	64,950.23
2010	8.38	16,537	48,413.61	64,950.61
2011	8.38	17,922	47,027.81	64,949.81
2012	8.38	19,424	45,525.94	64,949.94
2013	8.38	21,052	43,898.21	64,950.21
2014	8.38	22,816	42,134.05	64,950.05
2015	8.38	24,728	40,222.07	64,950.07
2016	8.38	26,800	38,149.87	64,949.87
2017	8.38	29,046	35,904.03	64,950.03
2018	8.38	31,480	33,469.97	64,949.97
2019	8.38	34,118	30,831.95	64,949.95
2020	8.38	36,977	27,972.86	64,949.86
2021	8.38	40,076	24,874.19	64,950.19
2022	8.38	43,434	21,515.82	64,949.82
2023	8.38	47,074	17,876.05	64,950.05
2024	8.38	51,019	13,931.25	64,950.25
2025	8.38	55,294	9,655.86	64,949.86
2026	8.38	59,931	5,022.22	64,953.22
		738,647	1,783,618.94	2,522,265.94

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:

_____

11/16/87
RSPSD1-S

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
RED SULPHUR PUBLIC SERVICE DISTRICT
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES 1987 B

No. BR-1 $181,173

KNOW ALL MEN BY THESE PRESENTS: That RED SULPHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Monroe 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 HUNDRED EIGHTY-ONE THOUSAND, ONE HUNDRED SEVENTY-THREE DOLLARS ($181,173), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated August 21, 1987.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing sewerage facilities portion of the combined waterworks and sewerage 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on November 12, 1987 (collectively called 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 payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System (as such terms are defined in the Bond Legislation) after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1987 A Bonds herein described and to all moneys in the Reserve Account (the "Series 1987 B Reserve Account") created under the Bond Legislation for the Bonds of this Series (the "Bonds"), 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, except from said special fund provided from the Net Revenues, the moneys in the Series 1987 B Bonds Reserve Account and unexpended Bond proceeds. 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 amount required to pay the maximum amount due in any year of principal of and interest, if any, on the Bonds, the Series 1987 A Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Series 1987 A Bonds or the Bonds, provided however, that so long as there exists in the Series 1987 B Bonds Reserve Account and the reserve account established for the Series 1987 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1987 A Bonds in any year, and any reserve account for any such prior or parity obligations is funded at least at 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 One Valley Bank, National Association, 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as 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 Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1987 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING COMBINED WATERWORKS AND SEWERAGE REVENUE REFUNDING BONDS OF THE ISSUER, DATED JULY 1, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $540,000, AND THE SEWER REVENUE BONDS, SERIES 1987 A, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $738,647 OF THE ISSUER, ISSUED CONCURRENTLY HEREWITH AND DESCRIBED IN THE BOND LEGISLATION.

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 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, RED SULPHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated November 16, 1987.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1987 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: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

RED SULPHUR
ANALYSIS OF 7.00% BORROWING [FOR LOCAL ISSUER
---------- 1986 SERIES A BONDS ----------

	ZERO COUPON BONDS
	.00
1988	.00
1989	4,767.73
1990	4,767.71
1991	4,767.71
1992	4,767.71
1993	4,767.71
1994	4,767.71
1995	4,767.71
1996	4,767.71
1997	4,767.71
1998	4,767.71
1999	4,767.71
2000	4,767.71
2001	4,767.71
2002	4,767.71
2003	4,767.71
2004	4,767.71
2005	4,767.71
2006	4,767.71
2007	4,767.71
2008	4,767.71
2009	4,767.71
2010	4,767.71
2011	4,767.71
2012	4,767.71
2013	4,767.71
2014	4,767.71
2015	4,767.71
2016	4,767.71
2017	4,767.71
2018	4,767.71
2019	4,767.71
2020	4,767.71
2021	4,767.71
2022	4,767.71
2023	4,767.71
2024	4,767.71
2025	4,767.71
2026	4,767.71

	191,177.00

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:

_____

11/16/87
RSPSD1-T