SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAR WATER STATE REVOLVING FUND)

Date of Closing: October 25, 2010

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ATTORNEYS AT LAW

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

Date of Closing: October 25, 2010

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BOND RESOLUTION

SHADY SPRINGS PUBLIC SERVICE DISTRICT
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BOND RESOLUTION

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SHADY SPRINGS PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF PUBLIC SEWER FACILITIES OF SHADY SPRINGS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,422,826 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2010 (CLEAN WATER STATE REVOLVING 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 A BOND PURCHASE 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 SHADY SPRINGS PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of the Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 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. Shady Springs Public Service District (the "Issuer") is a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh County of said State.

B. The Issuer presently owns and operates a public sewer system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements to the existing public sewer facilities of the Issuer, consisting of the Pump Station Upgrade Project, together with all appurtenant facilities (the

"Project"). The existing public sewer facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System".

C. The Issuer has received bids for the Project. It is deemed necessary for the Issuer to issue its sewer revenue bonds, in an aggregate principal amount of not more than $2,422,826 being its Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund) (the "Series 2010 Bonds") to permanently finance the costs of the Project and the costs of issuance of the Series 2010 Bonds and related costs.

D. It is in the best interests of the Issuer that the Series 2010 Bonds be sold to the Authority pursuant to the terms and provisions of a bond purchase agreement by and among the Issuer, the Authority and the West Virginia Department of Environmental Protection (the "DEP") in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

E. There are outstanding obligations of the Issuer which will rank on parity to the Series 2010 Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions and respect to the Series 2010 Bonds as follows:

Designation	Lien Position
Sewer Revenue Bonds, Series 1982B August 12, 1982, issued in the original principal amount of $795,515 (the "Series 1982B Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1994A June 8, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1996A, dated April 25, 1996, issued in the original principal amount of $151,800 (the "1996A Bonds").	First Lien (Parity)
Sewer Revenue Bonds, Series 1997C dated June 24, 1997, issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds");	First Lien (Parity)
Sewer Revenue Refunding Bonds, Series 1997D dated June 24, 1997, issued in the original	First Lien (Parity)

principal amount of $3,056,955
(the "Series 1997D Bonds");

Sewer Revenue Bonds, Series 1998A dated November 25, 1998, issued in the original principal amount of $1,202,100 (the "Series 1998A Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1998B dated December 17, 1998, issued in the original principal amount of $839,000 (the "Series 1998B Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1999A, dated March 18, 1999, issued in the original principal amount of $752,000 (the "Series 1999A Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1999B, dated March 18, 1999, issued in the original principal amount of $165,000 (the "Series 1999B Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 2002A, dated March 8, 2002, issued in the original principal amount of $2,419,905 (the "Series 2002A Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 2005A (West Virginia Infrastructure Fund) dated December 13, 2005, issued in the original principal amount of $2,875,000 (the "Series 2005A Bonds"); and	First Lien (Parity)
Sewer Revenue Bonds, Series 2005B (State Revolving Fund) dated December 13, 2005 issued in the original principal amount of $3,078,043 (the "Series 2005B Bonds").	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds. the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds, the

Series 1999A Bonds, the Series 1999B Bonds, the Series 2002A Bonds, the Series 2005A Bonds and the Series 2005B Bond are hereinafter collectively referred to as the "Prior Bonds."

F. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Prior Bonds and the Series 2010 Bonds and to make payments into all funds and accounts and other payments provided for herein.

G. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the design of the Project and issuance of the Series 2010 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia (the "PSC") by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2010 Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2010 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all such Series 2010 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other 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 22C, Article 2 of the Code of West Virginia, 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 2010 Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairperson of the Governing Body of the Issuer or any temporary Chairperson duly elected by the Governing Body.

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

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

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

"Bonds" means, collectively, the Series 2010 Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

"Closing Date" means the date upon which there is an exchange of the Series 2010 Bonds for all or a portion of the proceeds of the Series 2010 Bonds.

"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 E. L. Robinson Engineering Co., Cross Lanes, 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 Code of West Virginia, 1931, as amended; provided however, that the Consulting Engineers shall not be a regular full-time employee of the State or any of its agencies, commissions or political subdivisions.

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

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

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

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

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

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

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

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

"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 defined).

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

"Loan Agreement" means the Bond Purchase Agreement heretofore entered, or to be entered, into by and among the Issuer, the Authority and DEP providing for the purchase of the Series 2010 Bonds, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2010 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2010 Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2010 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

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

value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods or Tap Fees.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2010 Bonds in the Supplemental Resolution.

"Prior Bonds" shall have the meaning described in Section 1.02E hereof.

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

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC approving the financing for the Project and the rates of the System.

"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; Governmental National Mortgage Association; Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

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

(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 such Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time account 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, the only assets are investments of the type described in paragraphs (a) through (e) above; and

(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 Bond of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia, 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 Investor Services, Inc. or Standard & Poor's Corporation.

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01 hereof.

"Revenue Fund" means the Revenue Fund created by Section 5.01 hereof.

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

"Series 2010 Bonds Construction Trust Fund" means the Series 2010 Bonds Construction Fund created by Section 5.01 hereof.

"Series 2010 Bonds" means the Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund), of the Issuer, authorized by this Resolution.

"Series 2010 Bonds Reserve Account" means the Series 2010 Bonds Reserve Account created by Section 5.02 hereof.

"Series 2010 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 2010 Bonds in the then current or any succeeding year.

"Series 2010 Bonds Sinking Fund" means the Series 2010 Bonds Sinking Fund created by Section 5.02 hereof.

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

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local government entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds of the State.

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2010 Bonds; provided, that

any matter intended by this Resolution to be included in the Supplemental Resolution with respect the Series 2010 Bonds, and not so included, may be included in another Supplemental Resolution.

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

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

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

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

ARTICLE II

AUTHORIZATION OF THE PROJECT, APPROVAL OF THE LOAN AGREEMENTS AND PAYMENT OF DESIGN LOAN

Section 2.01. Authorization of the Project. There is hereby authorized and ordered the Project, at an estimated cost of $2,422,826. The Costs of the Project will be paid from the proceeds of the Series 2010 Bonds. The Issuer is hereby authorized and directed to enter into the contracts with respect to the Project.

Section 2.02. Approval of Loan Agreement. The Issuer hereby approves the Loan Agreement and the sale of the Series 2010 Bonds pursuant to the Loan Agreement The Issuer is hereby authorized and directed to execute and deliver the Loan Agreement to the Authority. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF SERIES 2010 BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Series 2010 Bonds. For the purposes of paying Costs of the Project not otherwise provided for, funding the Series 2010 Bonds Reserve Account, and paying certain costs of issuance of the Series 2010 Bonds and related costs, or any or all of such purposes as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2010 Bonds of the Issuer. The Series 2010 Bonds shall be issued as a single bond, designated "Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund)," in the principal amount of not more than $2,422,826, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

The aggregate principal amount of the Series 2010 Bonds need not be paid to the Issuer upon delivery of the Series 2010 Bonds but may be advanced to the Issuer as requested by the Issuer from time to time; and the Series 2010 Bonds shall evidence only the indebtedness recorded on the Record of Advances attached hereto and incorporated therein.

Section 3.02. Terms of Series 2010 Bonds. A. The Series 2010 Bonds shall be issued in such principal amount; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2010 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2010 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 2010 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 2010 Bonds. The Series 2010 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 the 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 have such terms as set forth in a Supplemental Resolution.

Section 3.03. Execution of Series 2010 Bonds. The Series 2010 Bonds shall be executed in the name of the Issuer by the Chairperson, 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 Series 2010 Bonds shall cease to be such officer of the Issuer before the Series 2010 Bonds so signed and sealed have been actually sold and delivered, such Series 2010 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds has not ceased to hold such office. Any Series 2010 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Bond Registrar; Authentication and Registration. The Bond Registrar for the Series 2010 Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No such 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 such Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of such Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2010 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder in accepting the Series 2010 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 2010 Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2010 Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in

writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging the Series 2010 Bonds or transferring the registered Series 2010 Bonds is exercised, all such Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All such Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of such 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 the 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 such Bonds, next preceding the date of the selection of the Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Series 2010 Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2010 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. Series 2010 Bonds not to be Indebtedness of the Issuer. The Series 2010 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 on parity with the lien of the Prior Bonds. No Holder or Holders of such Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay such Bonds or the interest, if any, thereon.

Section 3.08. Series 2010 Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2010 Bonds shall be secured forthwith equally and ratably with the Prior Bonds by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Prior Bonds and the Series 2010 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 Series 2010 Bonds. The Issuer shall execute and deliver the Series 2010 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2010 Bonds to the original purchasers upon receipt of a request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver such Bonds to the original purchasers.

Section 3.10. Form of Series 2010 Bonds. The text of the Series 2010 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof.

(FORM OF SERIES 2010 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

No. R-__ $_____

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRINGS PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh 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, _____, as set forth on the " Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on EXHIBIT B attached hereto.

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 Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Bond Purchase Agreement by and among the Issuer, the Authority and the DEP, dated _____, _____.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and improvement of public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the

improvements thereto provided by the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, _____, and a Supplemental Resolution duly adopted by the Issuer on _____, _____, (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 this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE "PRIOR BONDS" DESCRIBED IN THE BOND LEGISLATION.

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 System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2010 Bonds Reserve Account") and unexpended proceeds of this 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, except from said special fund provided from the Net Revenues, the moneys in the Series 2010 Bonds Reserve Account and unexpended Bond Proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2010 Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond

Legislation) 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 the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

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

IN WITNESS WHEREOF, SHADY SPRINGS PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, _____.

[SEAL]

_____
Chairperson

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 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: _____, _____.

_____,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $	_____, _____	(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

EXHIBIT B

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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Series 2010 Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2010 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 Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer thereto, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created 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;

(2) Renewal and Replacement Fund; and

(3) Series 2010 Bonds Construction Trust Fund; and

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 and accounts of the Commission and the Issuer and from each other:

(1) Series 2010 Bonds Sinking Fund;

(2) Series 2010 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 therein and herein provided. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order of priority:

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

(2) 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 applicable Sinking Funds, the amounts required by the Prior Resolutions to pay the interest due on the Prior Bonds.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously with the required payments for the Prior Bonds remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2010 Bonds, for deposit in the Series 2010 Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2010 Bonds on the next ensuing quarterly

principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2010 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, commencing 3 months after the completion of the Project, as certified by the Consulting Engineers, simultaneously with the reserve account deposit requirements for the Prior Bonds, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2010 Bonds Reserve Account, an amount equal to 1/120th of the Series 2010 Bonds Reserve Requirement, until the amount in the Series 2010 Bonds Reserve Account equals the Series 2010 Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2010 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2010 Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of the Project, as certified by the Consulting Engineers, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 ½% of the Gross Revenues each month (as provided in one or more of the resolutions authorizing the issuance of the Prior Bonds and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2010 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2010 Bonds as the same shall become due. Moneys in the Series 2010 Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2010 Bonds as the same shall become due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2010 Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2010 Bonds Reserve Account which result in a reduction in the balance there to below the Series 2010 Reserve Requirement shall be subsequently

restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2010 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay any 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 Sinking Fund or the Series 2010 Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2010 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2010 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2010 Bonds Sinking Fund and the Series 2010 Bonds Reserve Account created hereunder, and all amounts required for such accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at any time, the Issuer shall make the necessary arrangements whereby required payments into such accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2010 Bonds Sinking Fund and the Series 2010 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2010 Bonds Sinking Fund and the Series 2010 Bonds Reserve Account shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Series 2010 Bonds under the conditions and restrictions set forth herein.

A. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal 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. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

B. 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.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in 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 longer period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

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

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. There is hereby created and established with the Depository Bank, to be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from all other funds or accounts of the Issuer, the Series 2010 Bonds Construction Trust Fund. The moneys derived from the sale of the Series 2010 Bonds shall be deposited with the Depository Bank in the Series 2010 Bonds Construction Trust Fund and applied solely to the payment of the costs of Project and the costs of issuance and related costs, and until so expended, are hereby pledged as additional security for the Series 2010 Bonds.

After completion of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2010 Bonds shall be used to fund the Series 2010 Bonds Reserve Account, if not funded upon issuance of the Series 2010 Bonds, in an amount not to exceed the Series 2010 Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 2010 Bonds be deposited in the Series 2010 Bonds Reserve Account. Any remaining proceeds thereafter shall be used as directed by the DEP.

Section 6.02. Disbursements From the Project Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 2010 Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments of all Costs of the Project shall be made monthly.

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

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Bond Purchase Agreement as Exhibit C, and

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

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

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

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

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

Pending such application, moneys in the Project 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 2010 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2010 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2010 Bonds, or the interest, if any, thereon, is Outstanding and unpaid.

Section 7.02. Series 2010 Bonds not to be Indebtedness of the Issuer. The Series 2010 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2010 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2010 Bonds or the interest thereon.

Section 7.03. Series 2010 Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2010 Bonds and the Prior Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the operation of the System. The Net Revenues in an amount sufficient to pay the principal of and interest on the Series 2010 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of local counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement and the Issuer shall provide a certificate of a Certified Public Accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in and approved by the PSC Order and such rates are hereby adopted.

So long as the Series 2010 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 this Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2010 Bonds shall provide 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 Series 2010 Bonds are outstanding and except as otherwise required by law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to 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 be remitted to the respective Sinking Funds and applied to the payment of principal of and interest, if any, on the Series 2010 Bonds and the Prior Bonds. Any balance remaining after the payment of the Series 2010 Bonds and the Prior 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 the Managing 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 in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of 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 and in the Prior Resolutions, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2010 Bonds. All obligations issued by the Issuer after the issuance of the Series 2010 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 2010 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2010 Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 2010 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. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2010 Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority and the Council under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2010 Bonds.

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

No such Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the 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, 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 Series 2010 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 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 PSC, the period for appeal of which has expired prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2010 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 2010 Bonds.

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

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

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

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

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

The Issuer shall file with the DEP and the Authority, or any other original purchaser of the Series 2010 Bonds, and shall mail in each year to any Holder or Holders of the Series 2010 Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Certified Public Accountants (and to the extent legally required in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto) and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2010 Bonds, and shall submit said report to the DEP and the Authority, or any other original purchaser of the Series 2010 Bonds. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

Section 7.09. Rates. Prior to the issuance of Series 2010 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 2010 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2010 Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 2010 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2010

Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 30 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the managing 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 the managing 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 DEP and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the DEP, the Authority, and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the respective Loan Agreements, and forward a copy of such report to the DEP, 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 Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project will be constructed as described in the application submitted to the Authority, the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the DEP, 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 DEP, the Authority and the Council covering the supervision and inspection of the development and installation of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the DEP, the Authority, the Council and the Issuer at the completion of installation that installation of

the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit Recipient Record Drawings, as defined in the SRF Regulations, to within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," to the DEP in such form as may be provided by the DEP within 60 days of the end of the first year after the Project is completed.

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

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

The Issuer shall serve the additional customers at the locations set forth in the Certificate of Engineer. The Issuer shall not reduce the amount of additional customers served by the Project without the prior written approval of the Board of the Authority. Following completion of the Project, the Issuer shall certify to the Authority the number of customer added to the System.

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

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

Whenever any fees, rates, rentals or charges for the services or 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 PSC, 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 any rules and regulations promulgated by the PSC, discontinue and shut off the services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the

System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the PSC and all rules, regulations and orders of the PSC.

Section 7.14. No Free Services. Except as required by law, 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 Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2010 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 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 Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

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

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

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

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

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

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and 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

PSC, 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 and Operation 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 operation of the System, all orders and approvals from the Public Service Commission of West Virginia and the West Virginia Infrastructure and Jobs Development Council necessary for the design of the Project and the operation of the System and all approvals for issuance of the Series 2010 Bonds required by state law, with all requisite appeal periods having expired without successful appeal and shall provide an opinion of counsel to the Issuer to such effect.

Section 7.18. [Reserved]

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2010 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 2010 Bonds.

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

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other state, federal or local bodies in regard to the Project and the operation, maintenance and use of the System.

The Issuer shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia.

Section 7.21. Public Releases. The Issuer shall list the funding provided by the DEP 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 ground breaking or dedication of the Project.

Section 7.22. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENTS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2010 Bonds are Outstanding and the Issuer shall furnish to the Authority such information at the request of the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2010 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2010 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 2010 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2010 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.

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Registered Owners of the Series 2010 Bonds and the Prior Bonds shall be on a parity with each other.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this 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 Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges

sufficient to provide for the payment of Operating Expenses of the System, the payment of the 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 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 the System, 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 the System as the Issuer itself might exercise.

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

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

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

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Series 2010 Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2010 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 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 2010 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. Prior to issuance of the Series 2010 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2010 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 2010 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2010 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein 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 Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2010 Bonds from the 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 2010 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2010 Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

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

Chairperson, 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 20th day of October, 2010.

Chairperson

Member

Member

3228818.1

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of SHADY SPRINGS PUBLIC SERVICE DISTRICT on the 20th day of October, 2010.

Dated: October 25, 2010.

Secretary

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS,
SERIES 2010 (CLEAN WATER STATE REVOLVING FUND)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SHADY SPRINGS PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2010 (CLEAN WATER STATE REVOLVING FUND); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 2010 BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; APPROVING AND RATIFYING THE BOND PURCHASE AGREEMENT WITH RESPECT TO THE SERIES 2010 BONDS; 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 Shady Springs Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on October 20, 2010 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF PUBLIC SEWER FACILITIES OF SHADY SPRINGS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,422,826 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2010 (CLEAN WATER STATE REVOLVING 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 A BOND PURCHASE 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, the capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution when used herein.

WHEREAS, the Resolution provides for the issuance of the Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund) of the Issuer, in the aggregate principal

amount of not more than $2,422,826 (the "Series 2010 Bonds"), and has authorized the execution and delivery of a bond purchase agreement relating to the Series 2010 Bonds, including all schedules and exhibits attached thereto, by and among the Issuer and the Authority and West Virginia Department of Environmental Protection (the "DEP") (the "Bond Purchase Agreement"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Series 2010 Bonds should be established by a supplemental resolution, and that other matters relating to the Series 2010 Bonds be therein provided for:

WHEREAS, the Bond Purchase Agreement has been presented to the Issuer at the meeting;

WHEREAS, the Series 2010 Bonds are proposed to be purchased by the Authority pursuant to the Bond Purchase Agreement;

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Bond Purchase Agreement be approved and ratified, that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Series 2010 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2010 Bonds be herein provided for.

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

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

Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund), of the Issuer originally represented by a single bond, numbered R-1, in the original principal amount of $2,422,826. The Series 2010 Bonds shall be dated the date of delivery, shall finally mature on March 1, 2042, and shall bear interest at the rate of 0% per annum. The principal of and interest on the Series 2010 Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2012, in the amounts set forth in the Schedule Y attached to the Bond Purchase Agreement and incorporated in and made a part of the Series 2010 Bonds. The Series 2010 Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Bond Purchase Agreement, so long as the Authority shall be the Registered Owner of the Series 2010 Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1/2% of the principal amount of the Series 2010 Bonds set forth in the "Schedule Y" to be attached to the Bond Purchase Agreement.

Section 2. All other provisions relating to the Series 2010 Bonds and the text of the Series 2010 Bonds shall be in substantially the form provided in the Resolution.

Section 3. The Issuer hereby authorizes, ratifies, approves and accepts the Bond Purchase Agreement, including all schedule and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Bond Purchase Agreement by the Chairperson and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The Issuer hereby affirms all covenants and representations made in the Bond Purchase Agreement and in the applications to the DEP and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon. The price of the Series 2010 Bonds shall be 100% of par value, there being no interest accrued thereon. The proceeds of the Series 2010 Bonds shall be advanced from time to time as requisitioned by the Issuer, and at closing, there shall be requisitioned and advanced a portion of the proceeds of the Series 2010 Bonds in the amount of $292,528.00, being more than a de minimis amount with respect to the Series 2010 Bonds.

Section 4. The Issuer hereby appoints and designates City National Bank of West Virginia, Beckley/Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2010 Bonds under the Resolution and approves and accepts the Registrar's Agreement to be dated the date of delivery of the Series 2010 Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairperson, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 5. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as the Paying Agent for the Series 2010 Bonds under the Resolution.

Section 6. The Issuer hereby appoints and designates City National Bank of West Virginia, Beckley/Charleston, West Virginia, to serve as the Depository Bank.

Section 7. Series 2010 Bonds proceeds in the amount of $-0- shall be deposited in the Series 2010 Bonds Sinking Fund as capitalized interest.

Section 8. Series 2010 Bonds proceeds in the amount of $-0- shall be deposited in the Series 2010 Bonds Reserve Account.

Section 9. The remaining proceeds of the Series 2010 Bonds, as advanced from time to time, shall be deposited in the Series 2010 Bonds Construction Trust Fund, as received by the Issuer for payment of costs of the Project, including costs of issuance of the Series 2010 Bonds and related costs.

Section 10. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Series 2010 Bonds hereby and by the Resolution approved and provided for, to the end that the Series 2010 Bonds may be delivered to the Authority pursuant to the Bond Purchase Agreement on or about October 25, 2010, or as soon thereafter as practicable.

Section 11. The Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve as a public purpose of the Issuer and will promote the health, welfare and safety of the resident of the Issuer.

Section 12. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Sinking Funds and the Reserve Accounts shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer hereby ratifies, approves and accepts all contracts relating to the financing, design, acquisition, construction and equipping of the Project.

Section 14. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 15. The Issuer hereby approves payment of all invoices and bills for the Project which have been received to date from the proceeds of the Series 2010 Bonds.

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

Adopted this 20th day of October, 2010.

Chairperson

Member

Member

3180080.1

CERTIFICATION

Certified as a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Shady Springs public Service District on the 20th day of October, 2010.

Dated this 25th day of October, 2010.

Secretary

[SEAL]

SRF-BPA-1
(11/01/04)

BOND PURCHASE AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND BOND PURCHASE AGREEMENT (the "Bond Purchase Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (the "DEP"), and the local government designated below (the "Local Government").

SHADY SPRING PUBLIC SERVICE DISTRICT (2001S-616/C-544424)
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to acquire bonds of particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to utilize moneys from the Fund to purchase the bonds of local governments to provide the financing for the acquisition or construction of wastewater treatment projects by such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

WHEREAS, the Local Government constitutes a local government as defined by the Act;

WHEREAS, the Local Government is included on the DEP State Project Priority List and the Intended Use Plan and has met DEP's pre-application requirements for the Program;

WHEREAS, the Local Government is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a wastewater treatment project and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Local Government;

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

WHEREAS, the Local Government has completed and filed with the Authority and DEP an Application for Purchase of Bonds with attachments and exhibits and an Amended Application for Purchase of Bonds also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, having reviewed the Application and the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program; and

WHEREAS, the Local Government meets the "disadvantaged community" provisions of the SRF Regulations.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "fund," "local government," and "project" have the definitions and meanings ascribed to them in the Act or in the SRF Regulations.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

1.3 "Local Act" means the official action of the Local Government required by Section 4.1 hereof, authorizing the Local Bonds.

1.4 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Bond Purchase Agreement.

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

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

1.7 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.8 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other

interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

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

1.10 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.11 Additional terms and phrases are defined in this Bond Purchase Agreement as they are used.

ARTICLE II

The Project and the System

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

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

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

2.4 The Local Government agrees that the Authority and DEP and their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Local

Government further agrees that the Authority and DEP and their respective duly authorized agents shall, prior to, during and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and DEP with respect to the System pursuant to the pertinent provisions of the Act.

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

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

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

2.8 The Local Government shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and DEP and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Local Government, the Local Government or (at the option of the Local Government) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Local Government, the prime contractor and all subcontractors, as their

interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Local Government on or before the Date of Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding. Prior to commencing operation of the Project, the Local Government must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Local Government shall provide and maintain competent and adequate engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government shall require the Consulting Engineers to submit Record Drawings, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

2.10 The Local Government shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Local Government shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator(s) to operate the System during the entire term of this Bond Purchase Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 50% completion stage.

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

2.12 The Local Government, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial

Report, the form of which is attached hereto as Exhibit B and incorporated herein by reference, and forward a copy by the 10th of each month to the DEP and the Authority.

2.13 The Local Government, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward such forms to DEP in compliance with the Local Government's construction schedule.

ARTICLE III

Conditions to Purchase of Local Bonds; Issuance of Local Bonds

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

(a) The Local Government shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Local Bonds will be expended and the procedures as to the disbursement of bond proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Bond Purchase Agreement;

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

(d) The Local Government shall either have received bids or entered into contracts for the construction of the Project, which are in an amount and otherwise compatible with the plan of financing described in the Application; provided that, if the proceeds of the Local Bonds will refund an interim construction financing, the Local Government must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and DEP shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit D;

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

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

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

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

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountant for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

(j) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and

acquisition of the Project as set forth in the Application, and the Authority and DEP shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of wastewater treatment projects and satisfactory to the Authority and DEP, to such effect, such certificate to be in form and substance satisfactory to the Authority and DEP, and evidence satisfactory to the Authority and DEP of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Bond Purchase Agreement, the rules and regulations promulgated by the Authority and DEP, including the SRF Regulations, or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall purchase the Local Bonds of the Local Government and the Local Government shall issue and sell the Local Bonds to the Authority, and in furtherance thereof it is agreed that the Local Government shall sell to the Authority and the Authority shall purchase the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Local Bonds shall be secured and shall be repaid in the manner hereinafter provided in this Bond Purchase Agreement.

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

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for financing of wastewater treatment projects and that the obligation of the Authority to purchase the Local Bonds is subject to the Local Government's fulfilling all of the terms and conditions of this Bond Purchase Agreement on or prior to the Date of Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other

local governments set out in the State Project Priority List, as defined in the SRF Regulations. The Local Government further specifically recognizes that all bonds will be purchased in conjunction with the SRF Regulations and with the prior approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions regarding the public release and audit requirements, established by federal and State regulations as set forth in Exhibit E attached hereto at such times as are set forth therein.

ARTICLE IV

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

4.1 The Local Government shall, as one of the conditions of the Authority and DEP to purchase the Local Bonds, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Local Government in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows:

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

(i) to pay Operating Expenses of the System;

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

or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the net or gross revenues of the System as provided in the Local Act;

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

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

(iv) That, except as otherwise required by State law or the SRF Regulations, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole or substantially as a whole, provided that the net proceeds to be realized from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the Local Bonds outstanding and further provided that portions of the System when no longer required

for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

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

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

(vii) That the Local Government will not render any free services of the System;

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

(xi) That the Local Government shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and DEP, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Local Government's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

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

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

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

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

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

(xvii) That the Local Government shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit

F and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

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

(xix) That the Local Government shall have obtained the certificate of the Consulting Engineers to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and DEP is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

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

(xxi) That the Local Government shall submit all proposed change orders to the DEP for written approval. The Local Government shall obtain the written approval of the DEP before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule A attached to the certificate of the Consulting Engineer. The Local Government shall obtain the written approval of the DEP before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

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

4.2 The Local Bonds shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Closing. The remaining proceeds of the Local Bonds shall be advanced by the DEP monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include, without limitation, Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to purchase the Local Bonds shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to purchase the Local Bonds.

ARTICLE V

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

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

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

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to this Bond Purchase Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Local Bonds next due, from the date of the default until the date of the payment thereof.

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including, without limitation, the right to impose, enforce and collect charges of the System.

ARTICLE VI

Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by the Local Government in the terms and covenants of this Bond Purchase Agreement, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Bond Purchase Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Local Bonds.

6.4 The Local Government hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Local Government fails to make any such rebates as required, then the Local Government shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or

desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

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

6.7 The Local Government hereby agrees to file with the Authority and DEP upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

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

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

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

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

7.5 This Bond Purchase Agreement supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Local Bonds and constitutes the entire agreement between the parties hereto in respect thereof.

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

7.7 This Bond Purchase Agreement shall terminate upon the earlier of:

(i) written notice of termination to the Local Government from either the Authority or DEP;

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

(iii) termination by the Authority and DEP pursuant to Section 6.2 hereof; or

(iv) payment in full of the principal of and interest on the Local Bonds and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Local Bonds purchased under this Bond Purchase Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the State legislature or otherwise being available to purchase the Local Bonds. In the event funds are not appropriated or otherwise available to purchase all of the Local Bonds, the responsibility of the Authority and DEP to purchase the Local Bonds is terminated; provided further that the obligation of the Local Government to repay the outstanding amount of the Local Bonds is not terminated due to such non-funding on any balance of the Local Bonds. The DEP agrees to use its best efforts to have the amount contemplated under this Bond Purchase Agreement included in its budget. Non-appropriation or non-funding of the Loan shall not be considered an event of default under this Bond Purchase Agreement.

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

SHADY SPRING PUBLIC SERVICE DISTRICT

(SEAL)

By: _____
Its: Chairman
Date: October 12, 2010

Attest:

_____
Its: Secretary

WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION, DIVISION OF WATER AND WASTE MANAGEMENT

By: _____
Its: Director
Date: October 12, 2010

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: _____
Its: Executive Director
Date: October 12, 2010

Attest:

Carol A. Cummings
Its: Authorized Officer

{C1877102.1}

EXHIBIT A

FORM OF PERFORMANCE CERTIFICATE

[To Be Provided By DEP]

EXHIBIT B

MONTHLY FINANCIAL REPORT

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

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

_____
Name of Person Completing Form

_____
Address

_____
Telephone

{C1877102.1}

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

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

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

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

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

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

{C1877102.1}

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

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

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meaning set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Bond Purchase Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP"), dated _____.

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

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

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

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

_____

By _____

---

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

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

West Virginia License No. __

[SEAL]

EXHIBIT E

SPECIAL CONDITIONS

A. PUBLIC RELEASE REQUIREMENT - The Local Government agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations, ground breaking or project dedication program documents and other documents describing projects or programs funded in whole or in part with Federal money, (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) - Effective October 1, 2003, the Local Government that receives $500,000 or more (in federal funds) in a fiscal year must obtain audits in accordance with the Single Audit Act and the applicable OMB Circular or any successor thereto. Financial statement audits are required once all funds have been received by the Local Government.

EXHIBIT F

MONTHLY PAYMENT FORM

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

Re: [Name of bond issue]

Ladies and Gentlemen:

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

Sinking Fund:

Interest	$____
Principal	$____
Total:	$____
Reserve Account:	$____

Witness my signature this ___ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

{C1877102.1}

EXHIBIT G

OPINION OF BOND COUNSEL FOR LOCAL GOVERNMENT

[To Be Dated as of Date of Closing]

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

West Virginia Department of Environmental Protection
601 57th Street
Charleston, WV 25304

Ladies and Gentlemen:

We are bond counsel to _____ (the "Local Government"), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a bond purchase agreement dated ____, ___, including all schedules and exhibits attached thereto (the "Bond Purchase Agreement"), among the Local Government, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), and (ii) the issue of a series of revenue bonds of the Local Government, dated _____, ___ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Bond Purchase Agreement. The Local Bonds are issued in the principal amount of $_____, in the form of one bond, registered as to principal only to the Authority, with principal payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning _____ 1, ____, and ending __ 1, ____, all as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Local Bonds.

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

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Local Government on _____, as supplemented by the

supplemental resolution duly adopted by the Local Government on (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Bond Purchase Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Bond Purchase Agreement.

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

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

2. The Bond Purchase Agreement inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Local Government without the consent of the Authority and the DEP.

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

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

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

6. The Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and

applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

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

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds $2,422,826
Purchase Price of Local Bonds $2,422,826

The Local Bonds shall bear no interest. Commencing June 1, 2012, principal of the Local Bonds is payable quarterly, with an administrative fee of 0.5%. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Local Government shall submit its payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority. If the Reserve Account is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Commission. The Local Government shall instruct the Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

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

The Local Government may prepay the Local Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

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

(i) Shady Spring Public Service District Sewer Revenue Bonds, Series 1982B, dated August 12, 1982, issued in the original principal amount of $795,515;

(ii) Shady Spring Public Service District Sewer Revenue Bonds, Series 1994A, dated June 8, 1994, issued in the original principal amount of $170,532;

(iii) Shady Spring Public Service District Sewer Revenue Bonds, Series 1996A, dated April 25, 1996, issued in the original principal amount of $151,800;

(iv) Shady Spring Public Service District Sewer Revenue Bonds, Series 1997C, dated June 24, 1997, issued in the original principal amount of $2,197,304;

(v) Shady Spring Public Service District Sewer Revenue Refunding Bonds, Series 1997D, dated June 24, 1997, issued in the original principal amount of $3,056,955;

(vi) Shady Spring Public Service District Sewer Revenue Bonds, Series 1998A, dated November 25, 1998, issued in the original principal amount of $1,202,100;

(vii) Shady Spring Public Service District Sewer Revenue Bonds, Series 1998B, dated December 17, 1998, issued in the original principal amount of $839,000;

(viii) Shady Spring Public Service District Sewer Revenue Bonds, Series 1999A, dated March 18, 1999, issued in the original principal amount of $752,000;

(ix) Shady Spring Public Service District Sewer Revenue Bonds, Series 1999B, dated March 18, 1999, issued in the original principal amount of $165,000;

(x) Shady Spring Public Service District Sewer Revenue Bonds, Series 2002A, dated March 8, 2002, issued in the original principal amount of $2,419,905;

(xi) Shady Spring Public Service District Sewer Revenue Bonds, Series 2005A (West Virginia Infrastructure Fund), dated December 13, 2005, issued in the original principal amount of $2,875,000; and

(xii) Shady Spring Public Service District Sewer Revenue Bonds, Series 2005B, dated December 13, 2005, issued in the original principal amount of $3,078,043.

Number of New Customers: 0
Location: Pump station upgrade

SCHEDULE Y
DEBT SERVICE SCHEDULE

	Shady Spring PSD				
	CW SRF				
	30 Years, 0% Interest Rate				
	0.5% Administrative Fee				
		Dated Date	10/12/10		
		Delivery Date	10/12/10		
	Period Ending	**Principal**	**Interest**	**Debt Service**	
	10/12/10				
	6/1/12	20,191		20,191	
	9/1/12	20,191		20,191	
	12/1/12	20,191		20,191	
	3/1/13	20,191		20,191	
	6/1/13	20,191		20,191	
	9/1/13	20,191		20,191	
	12/1/13	20,191		20,191	
	3/1/14	20,191		20,191	
	6/1/14	20,191		20,191	
	9/1/14	20,191		20,191	
	12/1/14	20,191		20,191	
	3/1/15	20,191		20,191	
	6/1/15	20,191		20,191	
	9/1/15	20,191		20,191	
	12/1/15	20,191		20,191	
	3/1/16	20,191		20,191	
	6/1/16	20,191		20,191	
	9/1/16	20,191		20,191	
	12/1/16	20,191		20,191	
	3/1/17	20,191		20,191	
	6/1/17	20,191		20,191	
	9/1/17	20,191		20,191	
	12/1/17	20,191		20,191	
	3/1/18	20,191		20,191	
	6/1/18	20,191		20,191	
	9/1/18	20,190		20,190	
	12/1/18	20,190		20,190	
	3/1/19	20,190		20,190	
	6/1/19	20,190		20,190	
	9/1/19	20,190		20,190	
	12/1/19	20,190		20,190	
	3/1/20	20,190		20,190	
	6/1/20	20,190		20,190	
	9/1/20	20,190		20,190	
	12/1/20	20,190		20,190	
	3/1/21	20,190		20,190	
	6/1/21	20,190		20,190	
	9/1/21	20,190		20,190	
	12/1/21	20,190		20,190	

Shady Spring PSD

CW SRF

30 Years, 0% Interest Rate

0.5% Administrative Fee

Period Ending	Principal	Interest	Debt Service
3/1/22	20,190		20,190
6/1/22	20,190		20,190
9/1/22	20,190		20,190
12/1/22	20,190		20,190
3/1/23	20,190		20,190
6/1/23	20,190		20,190
9/1/23	20,190		20,190
12/1/23	20,190		20,190
3/1/24	20,190		20,190
6/1/24	20,190		20,190
9/1/24	20,190		20,190
12/1/24	20,190		20,190
3/1/25	20,190		20,190
6/1/25	20,190		20,190
9/1/25	20,190		20,190
12/1/25	20,190		20,190
3/1/26	20,190		20,190
6/1/26	20,190		20,190
9/1/26	20,190		20,190
12/1/26	20,190		20,190
3/1/27	20,190		20,190
6/1/27	20,190		20,190
9/1/27	20,190		20,190
12/1/27	20,190		20,190
3/1/28	20,190		20,190
6/1/28	20,190		20,190
9/1/28	20,190		20,190
12/1/28	20,190		20,190
3/1/29	20,190		20,190
6/1/29	20,190		20,190
9/1/29	20,190		20,190
12/1/29	20,190		20,190
3/1/30	20,190		20,190
6/1/30	20,190		20,190
9/1/30	20,190		20,190
12/1/30	20,190		20,190
3/1/31	20,190		20,190
6/1/31	20,190		20,190
9/1/31	20,190		20,190
12/1/31	20,190		20,190
3/1/32	20,190		20,190
6/1/32	20,190		20,190

	Shady Spring PSD				
	CW SRF				
	30 Years, 0% Interest Rate				
	0.5% Administrative Fee				
	Period Ending	**Principal**	**Interest**	**Debt Service**	
	9/1/32	20,190		20,190	
	12/1/32	20,190		20,190	
	3/1/33	20,190		20,190	
	6/1/33	20,190		20,190	
	9/1/33	20,190		20,190	
	12/1/33	20,190		20,190	
	3/1/34	20,190		20,190	
	6/1/34	20,190		20,190	
	9/1/34	20,190		20,190	
	12/1/34	20,190		20,190	
	3/1/35	20,190		20,190	
	6/1/35	20,190		20,190	
	9/1/35	20,190		20,190	
	12/1/35	20,190		20,190	
	3/1/36	20,190		20,190	
	6/1/36	20,190		20,190	
	9/1/36	20,190		20,190	
	12/1/36	20,190		20,190	
	3/1/37	20,190		20,190	
	6/1/37	20,190		20,190	
	9/1/37	20,190		20,190	
	12/1/37	20,190		20,190	
	3/1/38	20,190		20,190	
	6/1/38	20,190		20,190	
	9/1/38	20,190		20,190	
	12/1/38	20,190		20,190	
	3/1/39	20,190		20,190	
	6/1/39	20,190		20,190	
	9/1/39	20,190		20,190	
	12/1/39	20,190		20,190	
	3/1/40	20,190		20,190	
	6/1/40	20,190		20,190	
	9/1/40	20,190		20,190	
	12/1/40	20,190		20,190	
	3/1/41	20,190		20,190	
	6/1/41	20,190		20,190	
	9/1/41	20,190		20,190	
	12/1/41	20,190		20,190	
	3/1/42	20,191		20,191	*
		2,422,826		**2,422,826**	
C544424					

*Plus a quarterly Administrative fee of $1,526.88 for a total administrative expense of $183,225.60

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At as session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 8th day of October 2010.

CASE NO. 09-1053-PSD-PC-CN (Reopened)

SHADY SPRING PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to construct improvements to the District's existing wastewater collection system located in Raleigh County.

COMMISSION ORDER

The Commission reopens this certificate case and approves a reduction in the scope of the project.

Background

By Recommended Decision final on November 3, 2009, the Commission granted Shady Spring Public Service District (District) a certificate of convenience and necessity to construct improvements to its existing sewer system consisting of upgrading and increasing the capacity of seven pump stations and relining 2,800 feet of a 21-inch sewer main. The project was approved by the West Virginia Infrastructure and Jobs Development Council. The Commission approved both a pre-construction, non project-related rate increase, and a post-construction, project-related rate increase for the District. The Commission also approved project financing of a loan through the West Virginia Department of Environmental Protection (WVDEP) using funds provided by *The American Recovery and Reinvestment Act of 2009*, in the amount of $2,422,826 at a negative 3% interest rate for a term of 38 years with an administrative fee of 1%. The Commission ordered the District to petition to reopen the case for Commission approval of any planned changes to the scope of the project. The Order stated, however, that the changes in project cost or financing would not require separate approval if those changes did not affect rates and the District submitted an affidavit from a certified public accountant to that effect.

The District filed a Petition to Reopen this case in June 2010, but withdrew that petition in August 2010. Filings by the District at that time advised the Commission that the original funding for the project would be replaced with a loan through the Clean Water State Revolving Loan Fund Program in the amount of $2,422,826, at 0% interest, with an annual administrative fee of 0.5% for a term of 30 years.

On September 21, 2010, the District again filed a Petition to Reopen this certificate case for Commission approval of changes to both project scope and financing. The District advised that project financing would be a loan through the Clean Water State Revolving Loan Fund Program in the amount of $2,500,000, at 0% interest, with an annual administrative fee of 0.5% for a term of 30 years. The District also stated that costs set forth in the bids received by the District for project construction required the District to revise the scope of the project by eliminating (i) the relining of 2,800 feet of its 21-inch sewer main from the Piney Creek pump station to Manhole No. 19 along Beaver Creek; and (ii) upgrades to the Left Fork Pump Station, the Manor House Pump Station and the Royal Oaks Pump Station. The District asked the Commission to approve the changes to project financing and scope prior to October 14, 2010.

On October 6, 2010, Commission Staff filed a Memorandum noting that the petition to reopen included an affidavit from the District's certified public accountant stating that the changes in financing and scope would not affect the District's previously approved rates. Staff advised that the District does not need Commission approval of its change in financing because the November 3, 2010 Order stated that changes in project cost or financing, including ARRA financing, would not require separate approval if the District submitted an affidavit from a certified public accountant that those changes did not affect rates.

Staff also recommended that the Commission approve the planned changes to the project scope. Staff explained that recent post-flooding repairs performed in the summer of 2010 to the District's 21-inch main had improved (decreased) the inflow and infiltration (I&I) of the District system. The District stated that the decrease in I&I is comparable to what it believed I&I would result from the relining and other work proposed in the original certificate application. Those repairs were paid for by Federal Emergency Management Agency (FEMA). By filing on October 1, 2010, the District represented that the WVDEP did not object to elimination of the relining from the project. Staff also stated that the District proposal to eliminate three of the seven pump station upgrades is reasonable because growth has slowed in the area served by the Left Fork Pump Station, and the Manor House and Royal Oaks pump stations are grinder pump stations with fairly small flows and upgrades can be completed at a later date using District personnel.

DISCUSSION

Upon review of the Petition to Reopen and the Staff analysis, the Commission agrees that it is reasonable to reopen this certificate case and to approve the revised scope of the project.

It is reasonable to approve the changes in the scope of the project in view of the higher than expected bids received, and based on the fact that recent FEMA financed repairs to the District system have reduced its I&I comparable to what it would have achieved by relining its 21-inch main. Furthermore, Staff has concluded that upgrade to the Left Fork Pump Station can be delayed due to slower growth in the area, and upgrades to the Manor House and Royal Oaks grinder pump stations may be completed at a later date using District personnel.

Staff is correct that because there is no rate impact associated with the new financing, the District is not required to obtain Commission approval of the financing change.

FINDINGS OF FACT

1. The District seeks Commission consent and approval to replace the originally approved project financing with a loan through the Clean Water State Revolving Loan Fund Program in the amount of $2,500,000, at 0% interest, with an annual administrative fee of 0.5% for a term of 30 years.

2. The revised financing does not require a rate increase.

3. The District seeks Commission consent and approval of a reduced project scope that eliminates upgrades to the Left Fork, Manor House and Royal Oaks pump stations, and eliminates plans to reline 2,800 feet of its 21-inch sewer main from the Piney Creek pump station to Manhole No. 19 along Beaver Creek.

4. The District Petition to Reopen states that bids for the certificate project work were higher than expected.

5. In the summer of 2010, the District performed post-flood repairs, paid for by FEMA, to its 21-inch main that decreased the I&I of the District system in an amount comparable to what the District believed would result from relining the main and other work proposed in the original certificate application.

6. The District represents that slower than expected growth in the area served by the Left Fork pump station makes upgrades to that station less urgent and it that believes it can accomplish repairs to the Manor House and Royal Oaks pump stations at a future time using in-house personnel.

CONCLUSIONS OF LAW

1. It is reasonable to approve the change in the scope of the project in view of the higher than expected bids received, and based on the fact that recent FEMA financed repairs to the District system have reduced its I&I comparable to what it would have achieved by relining its 21-inch main. Furthermore, upgrade of the Left Fork Pump Station can be delayed due to slower growth in the area, and upgrades of the Manor House and Royal Oaks grinder pump stations may be completed at a later date using District personnel.

2. Because there is no rate impact associated with the new financing, the District is not required to obtain Commission approval of the financing change.

ORDER

IT IS THEREFORE ORDERED that the Petition to Reopen this certificate proceeding is granted.

IT IS FURTHER ORDERED that the District is not required to obtain Commission consent and approval of the revised financing for the project.

IT IS FURTHER ORDERED that the District request for approval of the revised scope of the project consisting of elimination of (i) the relining of 2,800 feet of 21-inch main, and (ii) upgrades to the Left Fork, Manor House and Royal Oaks pump stations, is hereby granted.

IT IS FURTHER ORDERED that, except for the revised scope of the project, the November 3, 2009 final order issued in this Case No. 09-1053-PSD-PC-CN remains in full force and effect.

IT IS FURTHER ORDERED that upon entry of this Order, this case is closed and will be removed from the Commission open docket.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order by electronic service on all parties of record who have filed an e-service agreement, by United States First Class Mail on all parties of record who have not filed an e-service agreement, and upon Commission Staff by hand delivery.

A True Copy, Teste: Sandra Squire

Sandra Squire
Executive Secretary

JML:tt
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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL

11/3/2009

Entered: October 14, 2009

CASE NO. 09-1053-PSD-PC-CN

SHADY SPRING PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to construct improvements to the District's existing wastewater collection system located in Raleigh County, West Virginia

RECOMMENDED DECISION

On June 25, 2009, Shady Spring Public Service District (Utility) filed an application for a certificate of convenience and necessity to construct certain improvements to its sewer system. The Utility also sought a preconstruction rate increase, a capacity improvement fee (CIF) and other relief.

On June 25, 2009, the Commission ordered the Utility to publish notice of its filing in Raleigh County. On July 15, 2009, the Utility filed an affidavit of publication indicating proper publication of the notice. On July 16, 2009, the Utility filed a certificate of posting, publication, and separate mailing to its sewer customers evidencing the Utility's compliance with the Commission's notice requirements. There have been no protests filed concerning the application.

On July 8, 2009, the Commission referred the matter requiring a decision on or before November 9, 2009.

On September 25, 2009, Staff filed its final recommendation recommending an across-the-board rate increase of 4.1% prior to the project, a denial of the Utility's request for a CIF, a denial of the Utility's request to increase its leak adjustment rate and a denial of the Utility's request to increase its reconnection and disconnection charges and to levy individual charges for certain forms of payment. Additionally, Staff recommended that the certificate be issued, that certain stimulus financing be approved, and that certain post-construction rates be approved.

On October 6, 2009, the Utility indicated that it would not object to the Staff recommendations.

FINDINGS OF FACT

1. On June 25, 2009, the Utility filed an application for a certificate of convenience and necessity to construct improvements to its sewer system. The Utility also sought a preconstruction rate increase of 12.92%, a CIF and other relief. (See filing of June 25, 2009).

2. The Utility provides sewer service to approximately 3,850 customers in the Shady Spring area of Raleigh County. (See filing of June 25, 2009).

3. The Utility properly published notice of its application for a *certificate and its application for an additional rate increase not* related to the project. No protests were filed pursuit to the notice. (See affidavits filed July 15 and July 16, 2009, and file generally).

4. Prior to this filing, the Utility charged a volumetric rate of $6.65 per 1,000 gallons of metered water use in its general service area with an additional customer charge of $25 per month to customers in the Glade Springs and Flat Top Lake service areas. The $25 customer charge was first implemented due to certain construction costs to serve those areas. The Utility's current bill in its general service territory for a 4,500-gallon customer is $29.93 a month and $54.93 in Glade Springs and Flat Top. (See Final Joint Staff Memorandum filed September 25, 2009).

5. Staff recommended a preconstruction rate increase of 4.1% over the current volumetric rates, producing approximately $62,600 additional revenue. The Staff-recommended preconstruction rates will provide a debt service coverage of 135.44%. (Id.).

6. Staff recommended that the revenue increase be spread on an equal basis across the Utility's customers with no change in the rate structure, including the continuation of the $25 monthly charge assessed to the customers in Glade Springs and Flat Top Lake. The Staff-recommended rates would increase the 4,500-gallon bill to $31.14 for the general service territory and $56.14 for Glade Springs and Flat Top. (Id.).

7. Staff recommended that the Commission deny the Utility's request for a $2,000 CIF. The Utility did not meet the Commission criteria for the implementation of a CIF. The Utility's projected growth rate was inadequate. The growth rate in the new housing development at Glade Springs has dramatically slowed in the past year. The Utility's treatment plant capacity will not be depleted for 12 years which means the Utility failed in another Commission criterion required to obtain a CIF. (Id.).

8. Staff recommended that the Utility's request to increase its leak adjustment from $1.00 per 1,000 gallons to $3.00 per 1,000 gallons be denied, since it was not cost-based. (Id.).

9. Staff further recommended that the Utility's proposed increase for the fee for reconnection from $20 to $25 and for disconnection in the same amount be denied. (Id.).

10. Staff recommended that the Utility's request to impose a charge on customers using electronic funds transfers, credit cards or drop box payments be denied. (See Final Joint Staff Memorandum filed September 25, 2009).

11. Staff recommended approval of a preconstruction tap fee of $100. (Id.).

12. The Utility originally proposed to finance the project with a loan from the West Virginia Department of Environmental Protection's (DEP) State Revolving Fund Loan program in an amount of $2,500,000 for a term of 38 years at an interest rate of 0% and an administrative fee not to exceed 0.5%. (Id.).

13. The West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) approved the project, but it was not originally designated as a stimulus certificate application. (Id.).

14. On July 6, 2009, the Utility filed a letter from DEP indicating that the Utility was eligible to be considered for economic recovery funds made available under *The American Recovery and Reinvestment Act of 2009*. The stimulus money would be a $2,422,826 loan with a negative 3% interest rate for 38 years and an administrative fee of 1%. The actual availability of stimulus money is still not determined. The actual rate increase necessary for the project will depend upon the actual financing the Utility eventually obtains. In calculating the appropriate post-construction rates, Staff used the latest loan information available which included the stimulus money with a negative 3% interest rate for 38 years and an administrative fee of 1%. (Id.).

15. The Utility has been experiencing growth as a result of the development of the Glade Springs Resort. Staff assumes a growth rate of 200 new homes per year. (Id.).

16. In order for the Utility to properly collect and treat the additional flows, the Utility needs to upgrade the pump stations and the associated mains. (Id.).

17. The current collection system experiences inflow and infiltration (I&I) problems during heavy rain events. The existing interceptor sewer line running from Piney Creek Pump Station to Beaver Creek Manhole No. 19 has gaps in the existing pipe as demonstrated by television camera inspection of the line. The 21-inch sewer line runs through a creek and is in close proximity to both the road and the railway, which would make traditional excavation difficult and expensive. The Utility will use a "Cured-In-Place" or polyvinylchloride "Fold-and-Form Pipeliner" to rehabilitate the existing 21-inch sanitary sewer line. The relining was the most practical alternative to correct the I&I problem. (Id.).

18. At present, the Utility's wastewater treatment plant's average daily flow is .9 mgd, which is 75% of plant capacity. The addition of 200 new homes per year will add approximately 30,000 gpd flow. The proposed I&I repair work will effectively increase the plant's capacity by approximately 4% to 7%. The Utility will be able to delay increasing the actual capacity of the treatment plant with the I&I work proposed in

this project. (See Final Joint Staff Memorandum filed September 25, 2009).

19. The project will positively impact the short-term needs of the wastewater treatment and collection system, provide a realistic operating capacity consistent with the current economy and allow time to properly plan for future expansions. (Id.).

20. The pumps in the Piney Creek pump stations are old and worn out. A new wet well will be constructed at the Little Beaver Pump Station with new variable frequency pump drives and a workable spare. At several other pump stations, new pumps will be installed to increase the flow of each station. Certain stations will also be upgraded with new 8-inch force mains. (Id.).

21. Certain permits and approvals, including the DEP's approval letter for the plans and specifications, the health permit for construction and others, have not yet been issued. (Id.).

22. The plant has been meeting its NPDES permits and is well-operated and maintained. (Id.).

23. There are no apparent violations of the Commission's Sewer Rules in the plans and specifications for the proposed project. (Id.).

24. The project is estimated to cost $2,422,826 with an estimated construction cost of $1,552,045. (Id.).

25. The engineering fees are 21.9% of the total project cost, which is high. Of the engineering costs, $125,000 is for costs associated with designing upgrades for the wastewater treatment plant which are not part of this project. Staff is concerned about paying for these additional design costs which may not be needed for many years and, likely, will need to be changed. (Id.).

26. The Utility's operation and maintenance expenses will not change as a result of the project. (Id.).

27. The Utility considered four alternatives to the proposed plan and selected the proposed plan as the most cost-effective and efficient means of providing reasonable additional treatment capacity. (Id.).

28. Staff calculated the additional estimated revenue needed post-construction to be $146,372, or 7.3% over current rates. The Staff-recommended post-construction rates provide a debt service coverage of 126.05%. (Id.).

29. Staff recommended that the customer charge assessed to the Glade Springs and Flat Top Lake service areas continue at the current rate of $25 a month. (Id.).

30. Staff recommended approving the certificate and the stimulus financing. (Id.).

CONCLUSIONS OF LAW

1. The Staff-recommended preconstruction rates are reasonable, just, based primarily on the cost of providing service and should be adopted for use by the Utility for all service rendered on and after the date that this becomes a final order of the Commission.

2. The public convenience and necessity require the project.

3. The Public Service Commission is empowered to require all public utilities to demonstrate that a proposed water or sewer project is economically feasible and financially viable by demonstrating that they have secured adequate funding to cover all project costs, as those project costs are determined to be at the conclusion of the bidding process, and that the resulting rates are just, reasonable, applied without unjust discrimination or preference and based primarily on the cost of providing service. See, Town of Man and Man Water Works, Inc., Case No. 81-433-W-PC, Order Affirming Hearing Examiner's Decision, April 16, 1982, 69 ARPSCWV 1893; Ohio County Public Service Commission, Case No. 82-482-S-CN, Order Affirming Hearing Examiner's Decision Without Prejudice, April 8, 1983, 70 ARPSCWV 2049. See also, Sexton v. Public Service Commission, 188 W. Va. 305, 423 S.E.2d 914, (1992).

4. In order to accommodate the unique timing issues involving the economic stimulus funds provided under *The American Recovery and Re-investment Act of 2009* (ARRA), and recognizing that these funds are available for a short period on a one-time only basis, it is reasonable to modify some of the Commission's traditional requirements regarding certificate applications, as set forth in the ordering paragraphs of this decision, in the event that the Utility receives ARRA funding for this project.

5. Because ARRA funds represent an additional one-time infusion of capital for West Virginia water and sewer projects, with extremely favorable terms, it is reasonable to conclude that any funding package which includes ARRA funds is convenient to the public, without further review, as long as rates do not have to be increased to support funding revisions made after a certificate is granted.

6. The proposed financing is reasonable and should be approved.

7. The Staff-recommended post-construction rates are reasonable, just, based primarily on the cost of providing service and should be adopted for use by the Utility for all service rendered on and after substantial completion of the project.

8. The application for a certificate of convenience and necessity should be granted without hearing.

9. The Utility's request for a capital improvement fee should be denied.

10. The Utility's request to increase its leak adjustment rate and its reconnection and disconnection fees and to levy individual charges for certain forms of customer payment should be denied.

ORDER

IT IS, THEREFORE, ORDERED that the rates attached as Appendix A be, and hereby are, approved for use by the Shady Spring Public Service District for all service rendered on and after the date that this decision becomes a final order of the Commission. The Utility shall file with the Commission a proper tariff and at least five (5) copies within thirty (30) days of the date that this Order becomes final.

IT IS FURTHER ORDERED that the Shady Spring Public Service District be, and hereby is, granted a certificate of convenience and necessity to construct the improvements to its sewer system described in its application of June 25, 2009, without specifically approving the plans and specifications thereof. The cost of the approved project shall not exceed $2,422,826. Approval is contingent upon the Utility obtaining all necessary state and federal permits before construction.

IT IS FURTHER ORDERED that the proposed financing consisting of a loan through the Department of Environmental Protection using funds provided by *The American Recovery and Reinvestment Act of 2009*, in the amount of $2,422,826 at a negative 3% interest rate for a term of 38 years with an administrative fee of 1%, be, and hereby is, approved.

IT IS FURTHER ORDERED that, in the event the Utility receives additional funding for the project certificated herein, under *The American Recovery and Reinvestment Act of 2009*, replacing part or all of the funding package approved above, the Utility shall file a letter with the Commission detailing the specifics of that funding package, including the terms and conditions of any loan awarded. The Utility is not required to petition the Commission for approval of that revised project financing, as long as the ARRA funding package does not require an additional rate increase. It will be sufficient for the Utility to file the ARRA funding commitment documentation along with the certification from its certified public accountant or bond counsel that the revised funding package is adequate to cover all project costs and does not require any additional rate increase.

IT IS FURTHER ORDERED that, should the scope or plans for the project change, or project cost or financing changes require a further rate increase beyond any reviewed and approved herein, the Utility must obtain prior Commission approval before commencing construction. Changes in project cost or financing, including ARRA financing, do not require separate approval if those changes do not affect rates and the Utility submits an affidavit from a certified public accountant to this effect.

IT IS FURTHER ORDERED that the Utility provide the Commission with a copy of the engineer's certified bid tabulation for all contracts awarded on this project as soon as they are available, but no later than ten (10) days after the bid opening date.

IT IS FURTHER ORDERED that the Utility submit to the Commission a copy of the certificate of substantial completion issued for each construction contract associated with the project as soon as they are available, but no later than ten (10) days of the issuance of such documents.

IT IS FURTHER ORDERED that the Utility file copies of the Department of Environmental Protection's approval letter for the plans and specifications of the project, the health permit for construction and all other required permits which have not yet been filed with the Commission, as soon as they are available.

IT IS FURTHER ORDERED that, if there are any substantive changes in the project scope or significant changes in the design or other aspects of the project of such magnitude as to require the approval of the West Virginia Bureau of Public Health, the Utility shall petition the Commission to reopen the application.

IT IS FURTHER ORDERED that the Utility's request to charge a capital improvement fee be, and hereby is, denied.

IT IS FURTHER ORDERED that the Utility's request to increase its leak adjustment fee to $3.00 per 1,000 gallons be, and hereby is, denied.

IT IS FURTHER ORDERED that the Utility's request to increase its connection and disconnection charges be, and hereby is, denied.

IT IS FURTHER ORDERED that the Utility's request to levy additional charges for certain forms of payment from its customers be, and hereby is, denied.

IT IS FURTHER ORDERED that the rates attached as Appendix B be, and hereby are, approved for use by the Shady Spring Public Service District for all service rendered on and after the date of substantial completion of the project. The Utility shall file with the Commission a proper tariff and at least five (5) copies within thirty (30) days of the date that the project is certified as substantially complete.

IT IS FURTHER ORDERED that the Utility comply with all rules and regulations of the Division of Highways regarding the use of Division of Highways' rights-of-way, if any are used.

IT IS FURTHER ORDERED that the matter be removed from the open docket.

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

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

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

K. A. George

Keith A. George
Administrative Law Judge

KAG:cdk
091053aa.wpd

SHADY SPRING PUBLIC SERVICE DISTRICT (SEWER)
CASE NO. 09-1053-PSD-PC-CN
APPROVED RATES - PRECONSTRUCTION

SCHEDULE I

APPLICABILITY
Applicable within the entire territory served except for the Ghent area and service areas formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association

AVAILABILITY OF SERVICE
Available for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

RATES
Usage Charge $6.92 per 1,000 gallons of water usage

FLAT RATE CHARGE (customers with non-metered water supply)
Equivalent to 4,500 gallons of water usage $31.14 per month.

MINIMUM CHARGE
No bill will be rendered for less than $15.57 per month, which is equivalent to 2,250 gallons with a 5/8" meter.

RETURNED CHECK CHARGE
A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

DISCONNECT - RECONNECT - ADMINISTRATIVE FEES
Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., a disconnection fee of $20.00 shall be charged; or in the event the delinquent sewer bill is collected by the water company or the District, an administrative fee of $20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., is reconnected, a reconnection fee of $20.00 shall be charged.

SECURITY DEPOSIT
Not to exceed two-twelfths (2/12) of the annual estimated charge for residential service, or two-twelfths (2/12) of the annual estimated charge for commercial service, or fifty dollars, whichever is greater.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

TAP FEE

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

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

LEAK ADJUSTMENT

$1.00 per 1,000 gallons of water is to be used when the bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's *historical average usage*.

SCHEDULE II

APPLICABILITY

Applicable to the Ghent area and the territories formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association

AVAILABILITY OF SERVICE

Available for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

RATES (customers with metered water supply)

Customer Charge - Each customer shall pay a customer charge of $25.00 per month

Commodity Charge - Each customer shall pay a commodity charge of $6.92 per 1,000 gallons per month.

FLAT RATE CHARGE (customers with non-metered water supply)

Equivalent to 4,500 gallons of water usage, $52.68 per month

MINIMUM CHARGE

No bill will be rendered for less than $40.57 per month, which is equivalent to 2,250 gallons with a 5/8" meter.

RETURNED CHECK CHARGE

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

DISCONNECT - RECONNECT - ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., a disconnection fee of $20.00 shall be charged; or in the event the delinquent sewer bill is collected by the water company or the District, an administrative fee of $20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., is reconnected, a reconnection fee of $20.00 shall be charged.

SECURITY DEPOSIT

Not to exceed two-twelfths (2/12) of the annual estimated charge for residential service, or two-twelfths (2/12) of the annual estimated charge for commercial service, or fifty dollars, whichever is greater.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

TAP FEE

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

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

LEAK ADJUSTMENT

$1.00 per 1,000 gallons of water is to be used when the bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SCHEDULE III

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO THE UTILITY'S SEWER SYSTEM

APPLICABILITY

Whenever the utility has discovered that a customer's roof drain, downspout, storm sewer or similar facilities conducting surface water have been connected to the Utility's sewer system, and such a customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the Utility in accordance with the Rules and Regulations of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

S	=	The surcharge in dollars
A	=	The area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet
R	=	The measured monthly rainfall, in inches
0.0006233	=	A conversion factor to change inches of rain x square feet of surface water to thousands of gallons of water
C	=	The utility's approved rate per thousand gallons of metered water usage

The Utility shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing or on-site inspection that rain or surface water is being introduced into the sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

The surcharge shall be calculated and imposed for each month that the condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules and Regulations of the Public Service Commission of West Virginia.

SCHEDULE IV

SURCHARGE FORMULA TO BE APPLIED TO A CUSTOMER PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci = VoVi + BoBi + SoSi$$

Ci = charge to unusual users per year
Vo = average unit cost of transport and treatment chargeable to volume, in dollars per gallon
Vi = volume of wastewater from unusual users, in gallons per year
Bo = average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound
Bi = weight of BOD from unusual users, in pounds per year
So = average unit cost of treatment (including sludge treatment) chargeable to total solids, in dollars per pound
Si = weight of total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in the judgment of the Utility, should not be introduced into the sewer system need not be handled by it. The results of the preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefor, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and an audit of the Shady Spring Public Service District records, new cost figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user. Based on these audited figures, additional billings covering the past fiscal year will be made for payment by each unusual user, or refund given by the Utility, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

SCHEDULE V

APPLICABLE INSIDE AND OUTSIDE THE CORPORATE LIMITS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Shady Spring waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Shady Spring Public Service District a sewer charge calculated at fifty (50) gallons of water per day per each employee at the plant each working day.

SCHEDULE VI

APPLICABILITY
Applicable in entire territory served

AVAILABILITY OF SERVICE
Available for wastewater and leachate haulers

RATES
Usage Charge - Each hauler shall pay a commodity charge of $25.00 per 1,000 gallons per load. Load will be two times the actual capacity of the truck or other transport method delivering wastewater and leachate. Actual capacity shall be determined or verified by the Shady Spring PSD.

DELAYED PAYMENT PENALTY
The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RETURNED CHECK CHARGE
A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SHADY SPRING PUBLIC SERVICE DISTRICT (SEWER)
CASE NO. 09-1053-PSD-PC-CN
APPROVED RATES - POST-CONSTRUCTION

SCHEDULE I

APPLICABILITY
Applicable within the entire territory served except for the Ghent area and service areas formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association

AVAILABILITY OF SERVICE
Available for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

RATES
Usage Charge $7.55 per 1,000 gallons of water usage

FLAT RATE CHARGE (customers with non-metered water supply)
Equivalent to 4,500 gallons of water usage $33.98 per month.

MINIMUM CHARGE
No bill will be rendered for less than $16.99 per month, which is equivalent to 2,250 gallons with a 5/8" meter.

RETURNED CHECK CHARGE
A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

DISCONNECT - RECONNECT - ADMINISTRATIVE FEES
Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., a disconnection fee of $20.00 shall be charged; or in the event the delinquent sewer bill is collected by the water company or the District, an administrative fee of $20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., is reconnected, a reconnection fee of $20.00 shall be charged.

SECURITY DEPOSIT
Not to exceed two-twelfths (2/12) of the annual estimated charge for residential service, or two-twelfths (2/12) of the annual estimated charge for commercial service, or fifty dollars, whichever is greater.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

TAP FEE

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

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

LEAK ADJUSTMENT

$1.00 per 1,000 gallons of water is to be used when the bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SCHEDULE II

APPLICABILITY

Applicable to the Ghent area and the territories formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association

AVAILABILITY OF SERVICE

Available for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

RATES (customers with metered water supply)

Customer Charge - Each customer shall pay a customer charge of $25.00 per month

Commodity Charge - Each customer shall pay a commodity charge of $7.55 per 1,000 gallons per month.

FLAT RATE CHARGE (customers with non-metered water supply)

Equivalent to 4,500 gallons of water usage, $55.20 per month

MINIMUM CHARGE

No bill will be rendered for less than $41.99 per month, which is equivalent to 2,250 gallons with a 5/8" meter.

RETURNED CHECK CHARGE

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

DISCONNECT - RECONNECT - ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., a disconnection fee of $20.00 shall be charged; or in the event the delinquent sewer bill is collected by the water company or the District, an administrative fee of $20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a service termination agreement with Raleigh County Public Service District, Cool Ridge/Flat Top Public Service District, Beckley Water Company, or West Virginia-American Water Company, Inc., is reconnected, a reconnection fee of $20.00 shall be charged.

SECURITY DEPOSIT

Not to exceed two-twelfths (2/12) of the annual estimated charge for residential service, or two-twelfths (2/12) of the annual estimated charge for commercial service, or fifty dollars, whichever is greater.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

TAP FEE

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

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

LEAK ADJUSTMENT

$1.00 per 1,000 gallons of water is to be used when the bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SCHEDULE III

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO THE UTILITY'S SEWER SYSTEM

APPLICABILITY

Whenever the utility has discovered that a customer's roof drain, downspout, storm sewer or similar facilities conducting surface water have been connected to the Utility's sewer system, and such a customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the Utility in accordance with the Rules and Regulations of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

S	=	The surcharge in dollars
A	=	*The area under roof and/or the area of any other* water collection surface connected to the sanitary sewer, in square feet
R	=	The measured monthly rainfall, in inches
0.0006233	=	A conversion factor to change inches of rain x square feet of surface water to thousands of gallons of water
C	=	The utility's approved rate per thousand gallons of metered water usage

The Utility shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing or on-site inspection that rain or surface water is being introduced into the sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

The surcharge shall be calculated and imposed for each month that the condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules and Regulations of the Public Service Commission of West Virginia.

SCHEDULE IV

SURCHARGE FORMULA TO BE APPLIED TO A CUSTOMER PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci = VoVi + BoBi + SoSi$$

Ci = charge to unusual users per year
Vo = *average unit cost of transport and treatment chargeable to* volume, in dollars per gallon
Vi = volume of wastewater from unusual users, in gallons per year
Bo = average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound
Bi = weight of BOD from unusual users, in pounds per year
So = average unit cost of treatment (including sludge treatment) chargeable to total solids, in dollars per pound
Si = weight of total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in the judgment of the Utility, should not be introduced into the sewer system need not be handled by it. The results of the preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefor, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and an audit of the Shady Spring Public Service District records, new cost figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user. Based on these audited figures, additional billings covering the past fiscal year will be made for payment by each unusual user, or refund given by the Utility, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

SCHEDULE V

APPLICABLE INSIDE AND OUTSIDE THE CORPORATE LIMITS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Shady Spring waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Shady Spring Public Service District a sewer charge calculated at fifty (50) gallons of water per day per each employee at the plant each working day.

SCHEDULE VI

APPLICABILITY

Applicable in entire territory served

AVAILABILITY OF SERVICE

Available for wastewater and leachate haulers

RATES

Usage Charge - Each hauler shall pay a commodity charge of $25.00 per 1,000 gallons per load. Load will be two times the actual capacity of the truck or other transport method delivering wastewater and leachate. Actual capacity shall be determined or verified by the Shady Spring PSD.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RETURNED CHECK CHARGE

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

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned authorized representative of West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority and James Wood Jr., Chairperson of the Shady Springs Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 25th day of October, 2010, the Authority received the entire original issue of $2,422,826 in aggregate principal amount of the Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund) (the "Series 2010 Bonds"), dated October 25, 2010 and issued as a single, fully registered Bond, numbered R-1.

2. At the time of such receipt of the Series 2010 Bonds upon original issuance, the same had been executed by James Wood Jr., as Chairperson of the Issuer, by his manual signature, and by Loyd W. Crook, as Secretary of the Issuer, by his manual signature, and the official seal of the Issuer had been affixed upon the Series 2010 Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority and the West Virginia Department of Environmental Protection (the "DEP"), as the original purchaser of the Series 2010 Bonds, of the sum of $292,528.00, being a portion of the principal amount of the Series 2010 Bonds, there being no interest accrued thereon. The balance of the proceeds of the Series 2010 Bonds will be advanced from time to time by the Authority and the DEP as the acquisition and construction of the Project progress.

WITNESS our respective signatures as of this 25th day of October, 2010.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By:_____
Authorized Representative

SHADY SPRINGS PUBLIC SERVICE DISTRICT

By:_____
Its: Chairperson

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(STATE REVOLVING FUND)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

City National Bank of West Virginia,
as Bond Registrar
Beckley, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond No. R-1, constituting the entire original issue of the Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund), in the principal amount of $2,422,826, dated October 25, 2010 (the "Series 2010 Bonds") executed by the Chairperson and Secretary of Shady Springs Public Service District (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on October 20, 2010, and a Supplemental Resolution duly adopted by the Issuer on October 20, 2010 (collectively, the "Resolution");

(2) A copy of the Resolution authorizing the issuance of the above-captioned Series 2010 Bonds, duly certified by the Secretary of the Issuer;

(3) An executed Bond Purchase Agreement by and among the Issuer, the West Virginia Water Development Authority and the West Virginia Department of Environmental Protection, for the Series 2010 Bonds (the "Bond Purchase Agreement"); and

(5) Signed opinion of nationally recognized bond counsel regarding the validity of the Bond Purchase Agreement and the Series 2010 Bonds.

You are hereby requested and authorized to deliver the Series 2010 Bonds to the Authority upon payment to the account of the Issuer of the sum of $292,528.00, which amount represent the initial advance of the principal amount of the Series 2010 Bonds, there being no accrued interest thereon. Prior to such delivery of the Series 2010 Bonds, you will please cause the Series 2010 Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 25th day of October, 2010.

SHADY SPRINGS PUBLIC
SERVICE DISTRICT

By: _____
Its: Chairperson

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

No. R-1 SPECIMEN $2,422,826

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRINGS PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of TWO MILLION FOUR HUNDRED TWENTY-TWO THOUSAND EIGHT HUNDRED TWENTY-SIX DOLLARS ($2,422,826) 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, 2012, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2012, as set forth on EXHIBIT B attached hereto.

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 Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Bond Purchase Agreement by and among the Issuer, the Authority and the DEP, dated October 12, 2010.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and improvement of public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the improvements thereto provided by the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State

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SPEC

of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on October 20, 2010, and a Supplemental Resolution duly adopted by the Issuer on October 20, 2010 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE "PRIOR BONDS" DESCRIBED IN THE BOND LEGISLATION.

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 System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2010 Bonds Reserve Account") and unexpended proceeds of this 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, except from said special fund provided from the Net Revenues, the moneys in the Series 2010 Bonds Reserve Account and unexpended Bond Proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2010 Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) by the registered owner, or by its attorney duly authorized

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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 the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

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

IN WITNESS WHEREOF, SHADY SPRINGS PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated October 25, 2010.

[SEAL]

SPECIMEN

Chairperson

ATTEST:

SPECIMEN

Secretary

Specimen Bond Series 2010

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CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: October 25, 2010.

CITY NATIONAL BANK OF WEST VIRGINIA, as Registrar

By _____
Its Authorized Officer

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EXHIBIT A
RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $292,528.00	October 25, 2010	(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

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EXHIBIT B

DEBT SERVICE SCHEDULE

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SCHEDULE Y
DEBT SERVICE SCHEDULE

	Shady Spring PSD				
	CW SRF				
	30 Years, 0% Interest Rate				
	0.5% Administrative Fee				
		Dated Date	10/12/10		
		Delivery Date	10/12/10		
	Period Ending	**Principal**	**Interest**	**Debt Service**	
	10/12/10				
	6/1/12	20,191		20,191	
	9/1/12	20,191		20,191	
	12/1/12	20,191		20,191	
	3/1/13	20,191		20,191	
	6/1/13	20,191		20,191	
	9/1/13	20,191		20,191	
	12/1/13	20,191		20,191	
	3/1/14	20,191		20,191	
	6/1/14	20,191		20,191	
	9/1/14	20,191		20,191	
	12/1/14	20,191		20,191	
	3/1/15	20,191		20,191	
	6/1/15	20,191		20,191	
	9/1/15	20,191		20,191	
	12/1/15	20,191		20,191	
	3/1/16	20,191		20,191	
	6/1/16	20,191		20,191	
	9/1/16	20,191		20,191	
	12/1/16	20,191		20,191	
	3/1/17	20,191		20,191	
	6/1/17	20,191		20,191	
	9/1/17	20,191		20,191	
	12/1/17	20,191		20,191	
	3/1/18	20,191		20,191	
	6/1/18	20,191		20,191	
	9/1/18	20,190		20,190	
	12/1/18	20,190		20,190	
	3/1/19	20,190		20,190	
	6/1/19	20,190		20,190	
	9/1/19	20,190		20,190	
	12/1/19	20,190		20,190	
	3/1/20	20,190		20,190	
	6/1/20	20,190		20,190	
	9/1/20	20,190		20,190	
	12/1/20	20,190		20,190	
	3/1/21	20,190		20,190	
	6/1/21	20,190		20,190	
	9/1/21	20,190		20,190	
	12/1/21	20,190		20,190	

	Shady Spring PSD				
	CW SRF				
	30 Years, 0% Interest Rate				
	0.5% Administrative Fee				
	Period Ending	Principal	Interest	Debt Service	
	3/1/22	20,190		20,190	
	6/1/22	20,190		20,190	
	9/1/22	20,190		20,190	
	12/1/22	20,190		20,190	
	3/1/23	20,190		20,190	
	6/1/23	20,190		20,190	
	9/1/23	20,190		20,190	
	12/1/23	20,190		20,190	
	3/1/24	20,190		20,190	
	6/1/24	20,190		20,190	
	9/1/24	20,190		20,190	
	12/1/24	20,190		20,190	
	3/1/25	20,190		20,190	
	6/1/25	20,190		20,190	
	9/1/25	20,190		20,190	
	12/1/25	20,190		20,190	
	3/1/26	20,190		20,190	
	6/1/26	20,190		20,190	
	9/1/26	20,190		20,190	
	12/1/26	20,190		20,190	
	3/1/27	20,190		20,190	
	6/1/27	20,190		20,190	
	9/1/27	20,190		20,190	
	12/1/27	20,190		20,190	
	3/1/28	20,190		20,190	
	6/1/28	20,190		20,190	
	9/1/28	20,190		20,190	
	12/1/28	20,190		20,190	
	3/1/29	20,190		20,190	
	6/1/29	20,190		20,190	
	9/1/29	20,190		20,190	
	12/1/29	20,190		20,190	
	3/1/30	20,190		20,190	
	6/1/30	20,190		20,190	
	9/1/30	20,190		20,190	
	12/1/30	20,190		20,190	
	3/1/31	20,190		20,190	
	6/1/31	20,190		20,190	
	9/1/31	20,190		20,190	
	12/1/31	20,190		20,190	
	3/1/32	20,190		20,190	
	6/1/32	20,190		20,190	

	Shady Spring PSD				
	CW SRF				
	30 Years, 0% Interest Rate				
	0.5% Administrative Fee				
	Period Ending	Principal	Interest	Debt Service	
	9/1/32	20,190		20,190	
	12/1/32	20,190		20,190	
	3/1/33	20,190		20,190	
	6/1/33	20,190		20,190	
	9/1/33	20,190		20,190	
	12/1/33	20,190		20,190	
	3/1/34	20,190		20,190	
	6/1/34	20,190		20,190	
	9/1/34	20,190		20,190	
	12/1/34	20,190		20,190	
	3/1/35	20,190		20,190	
	6/1/35	20,190		20,190	
	9/1/35	20,190		20,190	
	12/1/35	20,190		20,190	
	3/1/36	20,190		20,190	
	6/1/36	20,190		20,190	
	9/1/36	20,190		20,190	
	12/1/36	20,190		20,190	
	3/1/37	20,190		20,190	
	6/1/37	20,190		20,190	
	9/1/37	20,190		20,190	
	12/1/37	20,190		20,190	
	3/1/38	20,190		20,190	
	6/1/38	20,190		20,190	
	9/1/38	20,190		20,190	
	12/1/38	20,190		20,190	
	3/1/39	20,190		20,190	
	6/1/39	20,190		20,190	
	9/1/39	20,190		20,190	
	12/1/39	20,190		20,190	
	3/1/40	20,190		20,190	
	6/1/40	20,190		20,190	
	9/1/40	20,190		20,190	
	12/1/40	20,190		20,190	
	3/1/41	20,190		20,190	
	6/1/41	20,190		20,190	
	9/1/41	20,190		20,190	
	12/1/41	20,190		20,190	
	3/1/42	20,191		20,191	*
		2,422,826		2,422,826	
C544424					

*Plus a quarterly Administrative fee of $1,526.88 for a total administrative expense of $183,225.60

{C1877102.1}

ASSIGNMENT

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

_____

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

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Martinsburg, West Virginia 25401
(304) 263-0836

7000 Hampton Center
Morgantown, West Virginia 26505
(304) 285-2500

5th Floor, United Square
501 Avery Street
Parkersburg, West Virginia 26101
(304) 485-8500

Bowles Rice
McDavid Graff & Love LLP
Attorneys at Law

600 Quarrier Street
Charleston, West Virginia 25301

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(304) 347-1100

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333 West Vine Street, Suite 1700
Lexington, Kentucky 40507-1639
(859) 252-2202

480 West Jubal Early Drive
Suite 130
Winchester, Virginia 22601
(540) 723-8877

2400 Cranberry Square
Morgantown, West Virginia 26508-9209
(304) 594-1000

October 25, 2010

Shady Springs Public Service District
Post Office Box 235
Beaver, West Virginia 25813

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25301

West Virginia Department of
Environmental Protection
601 57th Street, S. E.
Charleston, West Virginia 25304

Re: Shady Springs Public Service District
Sewer Revenue Bonds,
Series 2010 (Clean Water State Revolving Fund)

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by Shady Springs Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its $2,422,826 Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund) (the "Series 2010 Bonds"), dated the date hereof.

We have examined a certified copy of proceedings and other papers relating to the authorization of a (i) Bond Purchase Agreement dated October 12, 2010, including all schedules and exhibits attached thereto (the "Bond Purchase Agreement"), among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP") and (ii) the Series 2010 Bonds, which are to be purchased by the Authority in accordance with the provisions of the Bond Purchase Agreement. The Series 2010 Bonds are issued in the principal amount of $2,422,826, in the form of one bond registered as to principal to the Authority, with no interest and with principal payable March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2012, all as set forth in "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Series 2010 Bonds.

The Series 2010 Bonds are subject to an SRF Administrative Fee equal to 1/2% of the principal amount of the Series 2010 Bonds as set forth in "Schedule Y" attached to the Bond Purchase Agreement.

The Series 2010 Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act") for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewer system of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act and the Bond Resolution duly adopted by the Issuer on October 20, 2010, as supplemented by a Supplemental Resolution duly adopted on October 20, 2010 (collectively, the "Resolution"), pursuant to and under which Act and Resolution the Series 2010 Bonds are authorized and issued and the Bond Purchase Agreement has been undertaken. The Series 2010 Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Resolution and the Bond Purchase Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Resolution and the Bond Purchase Agreement.

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

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

2. The Bond Purchase Agreement inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Issuer without the consent of the Authority and the DEP.

3. The Issuer is a duly organized and presently existing public service district, public corporation and political subdivision of the State of West Virginia with full power and authority to construct and acquire the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Series 2010 Bonds, all under the Act and other applicable provisions of law.

4. The Resolution and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer in connection with the issuance and sale of the Series 2010

Bonds and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Resolution contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Bond Purchase Agreement.

5. The Series 2010 Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid and legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and pledge of the Net Revenues of said System, on parity with the liens, pledge and source of and security for payment in favor of the holders of the Prior Bonds, all in accordance with the terms of the Series 2010 Bonds and the Resolution.

6. The Series 2010 Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of the State.

7. The Series 2010 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 Series 2010 Bonds.

8. The Issuer has reserved the right to issue additional bonds ranking on a parity with the Series 2010 Bonds, as provided in the Resolution.

No opinion is given herein as to the effect upon enforceability of the Series 2010 Bonds, the Bond Purchase Agreement or the Resolution of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer or other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. R-1 and are of the opinion that the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE MCDAVID GRAFF & LOVE LLP

Bowles Rice McDavid Graff & Love LLP

RICHMOND LAW OFFICE
304 SOUTH HEBER ST.
BECKLEY, WEST VIRGINIA 25801

WILLIAM F. RICHMOND, JR
ATTORNEY AT LAW
WV STATE BAR ID# 3095

TELEPHONE (304) 255-4091
FAX (304) 929-2200

October 25, 2010

Shady Springs Public Service District
P.O. Box 235
Beaver, West Virginia 25813

West Virginia Department of Environmental Protection
1560 Kanawha Boulevard, East
Charleston, West Virginia 25311

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Cam Siegrist
Bowles Rice McDavid Graff & Love LLP
P.O. Box 1386
Charleston, West Virginia 25325-1386

Re: Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water Revolving Fund)

Dear Ladies and Gentlemen:

As counsel for the Shady Springs Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia, in Raleigh County of said State, (the "Issuer"), I have examined (i) the approving opinion of Bowles Rice McDavid Graff & Love LLP, as bond counsel; (ii) the Bond Purchase Agreement for the Series 2010 dated October 12, 2010, including all schedules and exhibits attached thereto, by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP"), for the Series 2010 Bonds (the "Bond Purchase Agreement"); (iii) the Bond Resolution and Supplemental Resolution duly adopted by the Issuer on October 20, 2010 authorizing the issuance of the Series 2010 Bonds (collectively, the "Resolution"); and (iv) other documents, papers, agreements, instruments and certificates relating to the above-captioned bonds of the Issuer (the "Bonds"), and orders of the County Commission of Raleigh County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used herein and not defined herein shall have the same meanings set forth in the Resolution when used herein.

Based upon the foregoing and upon my examination of such other documents as I have deemed necessary, I am of the opinion as follows:

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

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

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

4. The Resolution has been duly adopted by the Board and is in full force and effect;

5. To the best of my knowledge, the execution and delivery of the Series 2010 Bonds and the Bond Purchase Agreement and the consummation of the transactions contemplated by the Series 2010 Bonds, the Bond Purchase Agreement, and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any resolution, agreement, document or instrument to which the Issuer is a party or its properties are bound or any existing law, regulation, order or decree to which the Issuer is subject;

6. The Issuer has received, or there have been entered, all permits, licenses, approvals, consents, exemptions, orders, certificates, and authorizations necessary for the creation and existence of the Issuer, the issuance of the Series 2010 Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, consents, certificates and approvals from the County Commission of Raleigh County, the DEP, and the West Virginia Infrastructure and Jobs Development Council, provided that no opinion is given with respect to any consents, orders, or other authorizations required from the Public Service Commission of West

Virginia, it being my understanding that a separate opinion on such matters is being delivered concurrently herewith by H. Wyatt Hanna III, Esquire, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges.

7. To the best of my knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bond Purchase Agreement, the Series 2010 Bonds the Resolution, the acquisition and construction of the Project, the operation of the System, the validity of the Series 2010 Bonds, the collection of the Gross Revenues or the pledge of the Net Revenues for the payment of the Series 2010 Bonds.

8. I have ascertained that all successful bidders have provided the drug-free workplace affidavit, submitted their drug-free workplace plan, and the contracts contain language that complies with the Drug-Free Workplace Act, Article 1D, Chapter 21 of the West Virginia Code of 1931, as amended. I have also ascertained that all successful bidders have made the required provisions for all insurance and payment and performance bonds and verified such insurance policies and binders and such bonds for accuracy. Based upon my review of the contracts, the surety bonds and the policies of other evidence of insurance coverage in connection with the Project, I am of the opinion that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interest of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Resolution and the Bond Purchase Agreement; and (5) all such other documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions, and provisions thereof.

This opinion may be relied upon by all counsel to the transaction as if specifically addressed thereto.

Should you have any questions or comments, please do not hesitate to contact me at your earliest convenience.

Sincerely,

W. F. Richmond, Jr.

WFR/trf

H. Wyatt Hanna III
Attorney at Law

H. Wyatt Hanna, III WV State Bar No. 1579

P. O. Box 8070 • South Charleston, West Virginia 25303
(304) 744-3150 • Fax (304) 744-3157

October 25, 2010

Shady Springs Public Service District
Post Office Box 235
Beaver, West Virginia 25813

Bowles Rice McDavid Graff & Love LLP
600 Quarrier Street
Charleston, West Virginia 25301

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25301

West Virginia Department of
Environmental Protection
601 57th Street, S. E.
Charleston, West Virginia 25304

Re: Shady Springs Public Service District
Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund)

Ladies and Gentlemen:

I am special counsel to Shady Springs Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia, in Raleigh County of said State (the "Issuer"), with respect to matters relating to the Public Service Commission of West Virginia. As such counsel, I have examined (i) the approving opinion of Bowles Rice McDavid Graff & Love LLP, as bond counsel; (ii) the Bond Resolution and Supplemental Resolution duly adopted by the Issuer on October 20, 2010 authorizing the issuance of the above-captioned Bonds (collectively, the "Resolution"); and (iii) other documents, papers, agreements, instruments and certificates relating to the above-captioned bonds of the Issuer (the "Bonds"). All capitalized terms used herein and not defined herein shall have the same meanings set forth in the Resolution when used herein.

Based upon the foregoing and upon my examination of such other documents as I have deemed necessary, I am of the opinion as follows:

1. The Issuer has received, or there have been entered, all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations from the Public Service Commission of West Virginia necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges. The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered October 14, 2009, which became the Final Order of the Public Service Commission of West Virginia on November 3, 2009, as supplemented and amended by the Commissioner Order issued on October 8, 2010, in Case No. 09-1053-PSD-PC-CN (collectively, the "Order"). The time for appeal of such Order has expired prior to the date hereof or has been waived by all parties. Such Order, among other things, grants the Issuer a certificate of public convenience and necessity for the Project and approves financing for the Project and the rates and charges for the System. Such Order remains in full force and effect.

2. The Issuer has duly published a notice of the acquisition and construction of the Project, issuance of the Bonds and related matters, as required by the Code of West Virginia, 1931, as amended.

This opinion may be relied upon by all counsel to the transaction as if specifically addressed thereto.

Very truly yours,

H. Wyatt Hanna, III

RICHMOND LAW OFFICE
304 SOUTH HEBER ST.
BECKLEY, WEST VIRGINIA 25801

WILLIAM F. RICHMOND, JR
ATTORNEY AT LAW
WV STATE BAR ID# 3095

TELEPHONE (304) 255-4091
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October 25, 2010

Shady Springs Public Service District
P.O. Box 235
Beaver, West Virginia 25813

West Virginia Department of Environmental Protection
1560 Kanawha Boulevard, East
Charleston, West Virginia 25311

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Cam Siegrist
Bowles Rice McDavid Graff & Love LLP
P.O. Box 1386
Charleston, West Virginia 25325-1386

Re: Final Title Opinion for Shady Springs Public Service District
Glade Spring Pump Stations Upgrade Project

Dear Sirs:

This is to advise you that I am General Counsel for the Shady Springs Public Service District (the "Issuer") in connection with a proposed project to construct the Glade Spring Pump Stations Upgrade Project (the "Project"). I provide this final title opinion on behalf of the Issuer to satisfy the requirements of the West Virginia Department of Environmental Protection (the "DEP") for the Project. Accordingly, please be advised of the following:

1. I am of the opinion that the Issuer is a duly created and validly existing public service district possessed with all the powers and authority granted to public service districts under the laws of the State of West Virginia to construct, operate and maintain the Project as approved by the DEP.

2. The Issuer has obtained all necessary permits and approvals for the construction of the Project.

3. I have investigated and ascertained the location of, and are familiar with the legal description of, the necessary sites, including easements and/or rights of way, required for the Project, as set forth in the plans for the Project prepared by E. L. Robinson Eng. Co., the consulting engineers for the Project.

4. I have examined the records contained in the Office of the Clerk of the County Commission of Raleigh County, West Virginia, the county in which the Project is to be located, and, in my opinion, the Issuer has acquired legal title or such other estate or interest in all of the necessary site components for the Project, including all easements and/or rights of way sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the Project.

5. All deeds, easements, and rights of way, which have been acquired to date by the Issuer, have been duly recorded in the Office of the Clerk of the County Commission of Raleigh County, West Virginia, to protect the legal title to and interest of the Issuer.

Sincerely,

W. F. Richmond

W. F. Richmond, Jr.

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRPERSON and the undersigned SECRETARY of the Shady Springs Public Service District, in Raleigh County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the $2,422,826 aggregate principal amount of the Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund) (the "Series 2010 Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond Resolution of the Issuer adopted October 20, 2010, authorizing the issuance of the Series 2010 Bonds (the "Resolution").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Series 2010 Bonds, the acquisition or construction of the Project, the operation of the System, the receipt of the Gross Revenues, or in any way contesting or affecting the validity of the Series 2010 Bonds or any proceedings of the Issuer taken with respect to the issuance or sale of the Series 2010 Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Series 2010 Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Series

2010 Bonds, the acquisition and construction of the Project, the operation of the System, or such pledge or application of moneys and security or the collection of the Gross Revenues or pledge of the Net Revenues as security for the Series 2010 Bonds.

3. GOVERNMENTAL APPROVALS, BIDDING AND AWARD OF CONTRACT: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the creation and existence of the Issuer, 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 2010 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 Code of West Virginia of 1931. The winning bidder has submitted the Drug-Free Workplace Affidavit as required by Chapter 21, Article 1D of the Code of West Virginia, 1931, as amended. The Issuer has awarded the construction contract for the Project to the lowest bidder thereof, being Mike Enyart & Sons.

The Issuer has on or prior to this date issued a notice of award to said contractor for the Project and the Issuer contemplates entering into a construction contract with said contractor for the Project on or before October 25, 2010.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery of the Bond Purchase Agreement entered into among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP") relating to the Series 2010 Bonds (the "Bond Purchase Agreement"), and the Issuer has met all conditions prescribed in the Bond Purchase Agreement. The Issuer has or can provide the financial, institutional, legal, and managerial capabilities necessary to complete the Project. Other than the Prior Bonds, there are no outstanding bonds or other obligations of the Issuer which are secured by revenues and/or assets of the System. The Series 2010 Bonds are issued on parity with respect to each other and with respect to the liens, pledge and source of and security for payment in favor of the Holders of the Prior Bonds. The Issuer has obtained the written consent of the Holder of the Prior Bonds to the issuance of the Series 2010 Bonds on a parity with the Prior Bonds.

The Series 2010 Bonds are on parity with the Prior Bonds with respect to liens, pledge and source of and security for payment.

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

Bond Resolution

Supplemental Resolution

Recommended Decision of the Public Service Commission of West Virginia (the "PSC") entered on October 14, 2009 in Case No. 09-1053-PSD-PC-CN, which, became the Final Order of the PSC on November 3, 2009, as supplemented and amended by the Commission Order issued by the PSC in said case on October 8, 2010

Certified copy of Orders of the County Commission of Raleigh County proposing, and creating the Issuer

Certified copies of Orders of the County Commission of Raleigh County appointing current members to Public Service Board of the Issuer

Certified copies of Oaths of Office of current members of Public Service Board of the Issuer

Rules of Procedure

Affidavit of Publication on Borrowing and Filing of PSC Application

Minutes of 2010 Organizational Meeting of Public Service Board

Minutes on Adoption of Bond Resolution

Consent of Holder of Prior Bonds

West Virginia Infrastructure and Jobs Development Council Approval

Evidence of Insurance

Prior Bond Resolutions

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

Name	Date of Commencement of Office	Date of Termination of Office
Lloyd W. Crook	April 7, 2009	December 31, 2011
James Wood, Jr.	January 1, 2008	December 31, 2013
John Mandeville	January 1, 2010	December 31, 2015

The names of the duly elected and/or appointed qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2010 are as follows:

Chairperson	-	James Wood, Jr.
Secretary	-	Lloyd W. Crook
Treasurer	-	Lloyd W. Crook

The duly appointed and acting counsel to Issuer is William F. Richmond, Jr., Esquire, Beckley, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Series 2010 Bonds.

8. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Series 2010 Bonds and the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to all applicable rules of the Governing Body and all applicable statutes, including, without limitation, Chapter 6, Article 9A, of the Code of West Virginia of 1931, as amended, and a quorum of duly elected or appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. CONTRACTORS' INSURANCE, ETC.: All contractors have been required to maintain Workers' Compensation, public liability and property damage insurance and builder's risk insurance in accordance with the Resolutions. All insurance for the System required by the Resolutions is in full force and effect.

10. BOND PURCHASE AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the Bond Purchase Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Bond Purchase Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Bond Purchase Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Bond Purchase Agreement not misleading; and (iv) the Issuer

is in compliance with the Bond Purchase Agreement. The Issuer shall serve the customers identified in the Bond Purchase Agreement.

11. RATES, PUBLIC SERVICE COMMISSION ORDERS: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered in Case No. 09-1053-PSD-PC-CN on October 14, 2009, which, became the Final Order of the PSC on November 3, 2009, as supplemented and amended by the Commission Order issued on October 8, 2010 (collectively, the "Order"), approving the rates and charges for the System and the financing for the Project and granting a certificate of public convenience and necessity for the Project. The time for appeal of such Final Order has either expired prior to the date hereof or has been waived by all parties. Such Order remains in full force and effect. The undersigned Counsel for the Issuer gives no opinion and makes no representations about the contents of this paragraph 11. A separate opinion on such matters is being delivered concurrently herewith by H. Wyatt Hanna III, Esquire and H. Wyatt Hanna III, Esquire signs below as Special PSC Counsel to the Issuer solely with respect to the matters set forth in this paragraph 11 and paragraph 14 below.

12. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairperson did officially sign all of the Series 2010 Bonds, consisting of a single bond dated October 25, 2010, by his manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon each of said Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Series 2010 Bonds to a representative of the Authority as the original purchaser of the Series 2010 Bonds under the Bond Purchase Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

13. BOND PROCEEDS: On the date hereof the Issuer received from the Authority and the DEP the sum of $292,528.00, being the first advance of the principal amount of the Series 2010 Bonds. The balance of the principal amount of the Series 2010 Bonds will be advanced to the Issuer as the acquisition and construction of the Project progress.

14. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING: The Issuer has published the required notice with respect to, among other things, the acquisition and construction of the Project, anticipated user rates and charges, issuance of the Series 2010 Bonds and filing of a formal application for a certificate of public convenience and necessity with the Public Service Commission of West Virginia. The undersigned Counsel for the Issuer gives no opinion and makes no representations about the contents of this paragraph 14. A separate opinion on such matters is being delivered concurrently herewith by H. Wyatt Hanna III, Esquire and H. Wyatt Hanna III, Esquire signs below as Special PSC Counsel to the Issuer solely with respect to the matters set forth in this paragraph 14 and paragraph 11 above.

15. SPECIMEN BOND: Delivered concurrently herewith is a true and accurate specimen of the Series 2010 Bonds.

16. 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 2010 Bonds, the Resolution and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

17. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Series 2010 Bonds.

18. MULTIPLE COUNTERPARTS. This General Certificate may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts constitute but one and the same instrument.

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WITNESS our signatures and the official seal of the SHADY SPRINGS PUBLIC SERVICE DISTRICT on this 25th day of October, 2010.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
	Chairperson
	Secretary and Treasurer
	Board Member
	Counsel to Issuer
	Special PSC Counsel to the Issuer

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairperson of the Shady Springs Public Service District in Raleigh County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of the $2,422,826 aggregate principal amount of the Issuer's Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund) (the "Bonds"), dated October 25, 2010, hereby certify as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution adopted by the Issuer on October 20, 2010, as supplemented and amended by a Supplemental Resolution adopted October 20, 2010 (collectively, the "Resolution"), authorizing the Bonds.

2. This certificate may be relied upon as the certificate of the Issuer.

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on October 25, 2010, the date on which the Bonds are being physically delivered in exchange for an initial advance of a portion of the principal amount of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. The Issuer hereby covenants: (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to maintain the status of the 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 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 DEP, as the case may be, from which the proceeds of the 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 DEP, to ensure compliance with the foregoing covenants and agreements regardless of whether such actions may be contrary to any of the provisions of the Resolution. The Issuer hereby further covenants to take all actions necessary to comply with such covenants.

5. The Series 2010 Bonds were sold on October 25, 2010, to the Authority, pursuant to a Bond Purchase Agreement dated October 12, 2010, by and among the Issuer, the Authority and the West Virginia Department of Environmental Protection (the "DEP"), for an aggregate purchase price of $2,422,826 (100% of par). On October 25, 2010, the Issuer received $292,528 from the Authority and the DEP, being the first advance of the principal amount of the

Bonds. The Bonds do not bear interest. The balance of the principal amount of the Bonds will be advanced to the Issuer as the acquisition and construction of the Project progress.

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

7. Not later than simultaneously with the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds on the acquisition and construction of the Project, constituting a substantial binding commitment. The acquisition and construction of the Project and the allocation of proceeds of the respective Bonds to such expenditures of the Project shall commence immediately and shall proceed with due diligence to completion, and with the exception of proceeds constituting capitalized interest, if any, and proceeds, if any, deposited in the Reserve Account for the Bonds, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before August 25, 2010. The acquisition and construction of the Project is expected to be completed by May 25, 2010.

8. The total cost of the Project is estimated at $2,476,826. Sources and uses of funds for the Project are as follows:

SOURCES	
Proceeds of the Series 2010 Bonds	$2,422,826
Equity Contribution by the Issuer	54,000
Total Sources	$2,476,826
USES	
Costs of the Project	$2,446,826
Costs of Issuance	30,000
Total Uses	$2,476,826

9. Pursuant to Article V of the Resolution, the following special funds or accounts have been created or continued in connection with the Bonds:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2010 Bonds Construction Trust Fund;

(4) Series 2010 Bonds Sinking Fund; and

(5) Series 2010 Bonds Reserve Account.

10. Pursuant to Article VI of the Resolution, the proceeds of the Bonds will be deposited in the Series 2010 Bonds Construction Trust Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Bonds and related costs.

11. Moneys held in the Series 2010 Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2010 Bonds and will not be available to meet costs of the acquisition and construction of the Project. All investment earnings on moneys in the Series 2010 Bonds Reserve Account (if fully funded) will be withdrawn therefrom and deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Resolution.

12. Work with respect to the acquisition and construction of the Project will proceed with due diligence to completion. The acquisition and construction of the Project is expected to be completed within 7 months of the date hereof.

13. The Issuer will take such steps as requested by the Authority and the Council to ensure that the bonds of the Authority and the DEP, as the case may be, meet the requirements of the Code.

14. With the exception of the amount deposited in the Series 2010 Bonds Sinking Fund for payment of interest, if any, on the Bonds and the amount deposited in the Series 2010 Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 10 months from the date of issuance thereof.

15. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

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

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

18. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

19. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

20. The Issuer shall use the Bond proceeds solely for the costs of the acquisition and construction of the Project and costs of issuing the Bonds and the Project, when constructed, will be operated solely for a public purpose as a local governmental activity of the Issuer.

21. The Bonds are not federally guaranteed.

22. The Issuer has either (a) funded the Series 2010 Bonds Reserve Account at the maximum amount of principal and interest, if any, which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2010 Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2010 Bonds Reserve Account hold an amount equal to the maximum amount of principal and interest, if any, which will mature and become due on the Bonds in the then current or any succeeding year. Moneys in the Series 2010 Bonds Reserve Accounts and the Series 2010 Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Bonds and will not be available to pay costs of the Project.

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

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

25. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

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

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WITNESS my signature on this 25th day of October, 2010.

SHADY SPRINGS PUBLIC
SERVICE DISTRICT

Its: Chairperson

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

CERTIFICATE OF ENGINEER

I, Joseph T. Carney, Registered Professional Engineer, West Virginia License No. 7254, of E. L. Robinson Engineering Co., Cross Lanes, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain additions, betterments and improvements (the "Project") to the existing public sewer system (the "System") of the Shady Springs Public Service District (the "Issuer"), to be constructed primarily in Raleigh County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Series 2010 Bonds") of the Issuer. Capitalized words used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on October 20, 2010, and the Bond Purchase Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP"), dated October 12, 2010.

2. The Series 2010 Bonds are being issued for the purposes of (i) paying a portion of the costs of the Project; and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the DEP and any change orders approved by the Issuer, DEP and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 40 years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in Schedule B attached hereto as Exhibit A; (iv) the successful bidder has provided the Drug-Free Workplace Affidavit as evidence of the Vendor's compliance with the provisions of Article 1D, Chapter 21 of the West Virginia Code; (v) the successful bidders received any and all addenda to the original bid documents; (vi) the bid documents relating to the Project reflect the Project as approved by the DEP and the bid forms provided to the bidders contain all critical operational components of the Project; (vii) the successful bids include prices for every item on such bid forms; (viii) the uniform bid procedures were followed; (ix) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; and (x) in reliance upon the certificate of Michael D. Griffith, CPA, of even date herewith, as of the effective date thereof, the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Bond Purchase Agreement, (xi) the net proceeds of the Series 2010 Bonds, together with

all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of the grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by DEP; and (xii) attached hereto as Exhibit A is the final amended "Schedule B – Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

4. The Project will serve no new or additional customers since it is an upgrade of existing sewer facilities of the Issuer.

WITNESS my signature and seal on this 25th day of October, 2010.

E. L. ROBINSON ENGINEERING CO.

By: Joseph T. Carney

Joseph T. Carney, P.E.
Its: Project Engineer
West Virginia License No. 7254

[SEAL]

SCHEDULE B

A. COST OF PROJECT	TOTAL	SRF	LOCAL (PSD)	
1. Construction				
Contract One	1,861,500	1,861,500		
Contract				
Contract				
Equipment				
2. Technical Services				
Planning	43,000	43,000		
Design	249,947	195,947	54,000	
Eng. During Const.	48,000	48,000		
Special Services	15,000	15,000		
Inspection Services	99,000	99,000		
3. Legal/Fiscal	10,000	10,000		
4. Administrative				
5. Sites & Lands				
Land				
ROW Activities				
6. Loan Repayment				
7. Interim Financing				
8. Contingency	93,075	93,075		
9. Miscellaneous (Electric)	27,304	27,304		
10. Total (Lines 1 – 9)	2,446,826	2,392,826	54,000	
B. SOURCE OF FUNDS				
11. Federal Grants				
12. State Grant				
13. Other Grants				
14. Any Other Source				
15. Total (Lines 11 – 15)				
16. Net Proceeds from Bond Issue		2,392,826		
C. COST OF FINANCING				
17. Funded Reserve				
a. SRF Funded Reserve				
b. Other Funded Reserve				
18. Other Costs				
a. Registrar Fees				
b. Bond Counsel		30,000		
19. Total Cost of Financing		30,000		
20. Size of Bond Issue		2,422,826		

Signature of Authorized Representative

Date: 8-16-10

Signature of Consulting Engineer

Date: 8-16-10

Griffith & Associates, PLLC Accountants & Consultants

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

October 25, 2010

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25301

Shady Springs Public Service District
Post Office Box 235
Beaver, West Virginia 25813-0235

West Virginia Department of
Environmental Protection
601 57th Street, S. E.
Charleston, West Virginia 25304

Bowles Rice McDavid Graff & Love LLP
600 Quarrier Street
Charleston, West Virginia 25301

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Recommended Decision entered October 14, 2009, which became the Final Order of the Public Service Commission of West Virginia on November 3, 2009, in Case No. 09-1053-PSD-PC-CN and projected Operating Expenses and anticipated customer usage as furnished to us by Shady Springs Public Service District (the "Issuer") and by E. L. Robinson Engineering Co., the Issuer's consulting engineers, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all Operating Expenses and leave a balance each year equal to at least 115% of the maximum amount required in any fiscal year for debt service on the Issuer's proposed Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund) (the "Bonds"), to be issued to the West Virginia Water Development Authority in an aggregate principal amount not to exceed $2,422,826, and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Bonds, including the Prior Bonds. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Bond Resolution adopted by the Issuer on October 20, 2010.

It is our further opinion that the Net Revenues actually derived from the System during 12 consecutive months, within the 18 months immediately preceding the date hereof, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest of the Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Bonds, including the Prior Bonds.

Very truly yours,

Michael D. Griffith, CPA, AFI
Griffith & Associates, PLLC

MDG/dk

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

Encl. # 6A

WEST VIRGINIA:

At a regular session of the County Court of Raleigh County, West Virginia held at the Court House thereof on the 3rd day of March, 1959.

P R E S E N T: H. G. Farmer, President,
A. J. Lilly, Commissioner,
John C. Ward, Commissioner.

-o-

IN RE: SANITARY DISTRICT BOARD -SHADY SPRING DISTRICT.

Mr. W. H. File and Mr. Lowell Lilly appeared representing citizens of Shady Spring District relative to a Sanitary District Board for said District. A motion was adopted by the Court that Mr. File and Mr. Lilly confer further with interested persons and that they prepare a proper resolution to present to the Court for future consideration.

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WEST VIRGINIA:

At a regular session of the County Court of Raleigh County, West Virginia, held on the 7th day of April, 1959 in the County Courtroom of the Court House thereof.

P R E S E N T: H. G. Farmer, President,
A. J. Lilly, Commissioner,
John C. Ward, Commissioner.

IN RE: DISTRICT SANITARY BOARD.

Commissioner John C. Ward introduced and caused to be read a proposed resolution and order entitled:

"A Resolution and Order Proposing the Creation of a Public Service District within Raleigh County, West Virginia, and Providing for the Establishment of a Date of a Public Hearing Thereon and for Publication of a Notice of such Public Hearing;"

and moved that all rules otherwise requiring deferred consideration be suspended and the adoption of said proposed resolution and order. A. J. Lilly seconded said motion, and after due consideration the President called for a vote upon said motion with the following result:

For the Motion: H. G. Farmer, President,
A. J. Lilly, Commissioner,
John C. Ward, Commissioner

Against the motion: None

The said resolution and order follows:

"WHEREAS, the County Court of Raleigh County, deeming it to be in the public interest, on its own motion proposes the creation of a public service district within Raleigh County, West Virginia; 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 by the County Court of Raleigh County, West Virginia, as follows:

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

"Section 2.

"a) The name and corporate title of said public service district shall be the Shady Springs Public Service District No. 1.

"b) The territory to be embraced in the public service district shall be as follows:

Those certain portions of Shady Springs and Town Districts of Raleigh County, West Virginia, bounded and described as follows:

"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, nor does such territory include within its limits any city, incorporated town, other municipal corporation, or any part thereof.

"Section 3. That on the 5th day of May, 1959, at the hour of 2:00 P.M. this County Court shall meet in the County Courtroom in the courthouse at Beckley, 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 cause notice of such hearing in substantially the form hereinafter set out to be published on April _____, 1959, in The Raleigh Register, a newspaper of general circulation published in Raleigh County."

"NOTICE OF PUBLIC HEARING ON CREATION OF SHADY SPRINGS PUBLIC SERVICE DISTRICT NO. 1

"Notice is hereby given that deeming it to be in the public interest the County Court of Raleigh County, West Virginia, on its own motion, has proposed the creation of a public service district within Raleigh County for the purpose of [illegible] otherwise, [illegible] maintenance, operation [illegible] of public service properties supplying sewerage services within the district hereinafter described, to be named Shady Springs Public Service District No. 1 and having the following description:

Those certain portions of Shady Springs and Town Districts of Raleigh County, West Virginia, bounded and described as follows:

Beginning at the intersection of State Highway Route 22 and with its intersection of the center line of Glade Creek, said point being in the common line between Shady Springs and Richmond Districts; thence with the center line of the aforesaid Route 22 in a westerly direction to the village of Crow to its intersection with State Route 22/1; thence with the center line of State Route 22/1 approximately four-tenths of one mile to its intersection with West Virginia State Route 9, commonly referred to as the Old Grandview Road; thence with the center line of State Route 9 in a westerly direction to its intersection of West Virginia State Route 9/7, commonly referred to as the Old Worley Road; thence with the center line of State Route 9/7 in a northwesterly direction, crossing Piney River at the Old Worley Mill and continuing to its intersection with the eastern right-of-way line of the U. S. Highway 19-21 By-Pass; said right-of-way line being the corporation line of the City of Beckley, West Virginia; thence with the said City of Beckley Corporation line in a southerly direction to a point intersecting with a south-westerly extension of the common lot line between lots 37 and 38, Section 14, of the Glen Morgan Addition; thence N. 84° 00' E. with the extension and the lot line of the aforementioned lots 37 and 38, 445 feet more or less to a point in Piney River; thence with Piney River as it meanders in a southeasterly direction 950 feet to a point in the center line of the Raleigh Mine No. 7 Road where it crosses Piney River; thence leaving Piney River and with Raleigh Mine No. 7 Road in a southeasterly direction 410 feet to a point on the outside boundary line of the Glen Morgan Addition where it crosses said Raleigh Mine No. 7 Road; thence leaving said road and with the outside boundary line of the Glen Morgan Addition, S. 42° 02' W. 800 feet to a point in the Raleigh Mine No. 7 Road; thence leaving the outside boundary line and with Raleigh Mine No. 7 Road in a southwesterly direction 700 feet to its intersection with the old original Routes 19-21; thence with the old original Routes 19-21 and behind Raleigh Motor Sales in a southerly direction 700 feet to its intersection with the present Routes 3 and 19-21; thence with the center line of Routes 3 and 19-21 in a northwesterly direction 1550 feet to the point where State Route 3 was abandoned; thence along the old abandoned Route 3, in a northwesterly direction, 400 feet to a point where it intersects with the southern right-of-way line of Virginia Avenue; thence with the

southern right-of-way line of Virginia Avenue and the property lines of James P. White and Thomas W. Turner, N. 14° 00' E. 500 feet to a point where Virginia Avenue intersects Routes 19-21; thence with Routes 19-21 N. 30° 00' E. 870 feet to a point in the corporate line to the City of Beckley at the intersection of Routes 19-21 By-Pass and Routes 19-21 business route; thence continuing with the corporate line of the City of Beckley, in a general westerly direction, to its intersection with the southeast corporation line of the Town of Mabscott; thence with the said Mabscott corporation line, and with the old Soak Creek Road, in a southwesterly direction to the top of Mabscott Hill and to a steel pin at the intersection of the old Soak Creek Road and the Old Eccles Road; thence crossing State Route 16 S. 86° 05' E. 382.10 feet, by a surveyed line, to a lead plug at the intersection of the center line of West Virginia State Route 20, commonly known as the Old Fitzpatrick Road and its intersection with the Old Beckley-Crab Orchard Road; thence with the center line of State Route 20 in a southeasterly direction and passing through the village of Fitzpatrick to its intersection with the center line of State Route 18; thence with the said center line of State Route 18 in a southeasterly direction to its intersection with State Route 19/19 near Cherry Creek; thence with the said center line of State Route 19/19 and continuing in a southeasterly direction to its intersection with the center line of U. S. Routes 19-21; thence in a southerly direction with the center line of U. S. Routes 19-21 to the intersection of the center line of West Virginia State Route 31 at the village of Cool Ridge; thence continuing in a southeasterly direction with State Route 31, to its intersection with the Raleigh-Summers County line, near the Mount View Post Office; thence in a northeasterly direction and with the common line between Raleigh County and Summers County to its intersection with the Shady SpringsDistrict line and the Richmond District line; thence with the said Shady Springsand Richmond District line in a general northerly direction to the point of beginning.

"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 Raleigh County will conduct a public hearing on the 5th day of May, 1959, at 2:00 P. in the County Courtroom in the courthouse at Beckley, 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.

Order of the County Court this 7th day of April, 1959.

ATTEST: C. O. Smith, Jr.
Clerk of the County Court
of Raleigh County, West Virginia"

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Encl # 8-B

WEST VIRGINIA:

At a regular session of the County Court of Raleigh County, West Virginia, held on the 5th day of May, 1959 in the County Courtroom of the Court House.

PRESENT: H. G. Farmer, President,
A. J. Lilly, Commissioner,
John C. Ward, Commissioner.

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RE: PUBLIC SERVICE DISTRICT, SHADY SPRINGS DISTRICT 1.

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed Shady Springs Public Service District No. 1 as contemplated and provided for in an order heretofore passed by this court on the 7th 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. Among those present at the meeting were Mr. Bern Wright, director of the State Water Commission, and G. O. Fortney, chief engineer with the State Health Department. Both said their departments are "very happy" to see the people take it upon themselves to rid their communities of health hazards such as inadequate sewers.

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, John C. Ward, Commissioner moved the passage of the following resolution and order, which motion was duly seconded by A. J. Lilly, Commissioner, and passed unanimously

NOW, THEREFORE, Be it Resolved and Ordered by the County Court of Raleigh County, West Virginia, as follows:

"SECTION 1. That the said court hereby finds and determines that the following persons, who are residents of Shady Springs Public Service District No. 1 are hereby appointed members of the public service board of said district, and their respective terms of office shall be as follows: J. L. Lilly for a term of six years from May 1, 1959; A. G. Wilcox,Sr. for a term of four years from May 1, 1959; and Wiley Shepherd 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 Shady Springs Public Service District No. 1 shall meet and organize in compliance with the provisions of Article 13a of Chapter 16 of the Code of West Virginia."

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IN RE: VACATION PROCEEDINGS.

The clerk of this Court presented vacation proceedings had by said Clerk in his office since the last session of the Court held on the 7th day of April, 1959, said proceedings dating from April 8th,1959 to April 20th, 1959, inclusive, and no objections having been made to the same and none appearing to the Court the same are hereby approved and confirmed.

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It is ordered that Court be adjourned.

A. G. Harper
PRESIDENT.

County Commission of Raleigh County

P O BOX 2518
116 1/2 NORTH HEBER STREET
BECKLEY, WEST VIRGINIA 25802-2518

December 18, 2007

RECEIVED
DEC 2 6 2007

Mr. Jim Wood
161 Kimberly Street
Shady Spring, WV 25918

Dear Mr. Wood:

We are pleased to inform you that the County Commission, at their meeting on December 18, 2007, reappointed you to the Shady Spring PSD and your new term will expire December 31, 2013.

Please stop by the County Clerk's office at your earliest convenience to take the oath of office.

We appreciate your past service and continued willingness to serve the citizens of Raleigh County in this manner.

Respectfully,

Pat Reed, President

John D. Humphrey, Commissioner

John L. Aliff, Commissioner

cc: Shady Spring PSD

Phone (304) 255-9146 Fax (304) 255-9166 ralcom@raleighcounty.com

OATH

STATE OF WEST VIRGINIA }
COUNTY OF RALEIGH } ss.

I, JAMES WOOD, JR., do solemnly swear that I will support the constitution of the United States and the constitution of this State and that I will faithfully discharge the duties of my office of BOARD OF DIRECTORS FULL SHADY SPRING PUBLIC SERVICE DISTRICT to the best of my skill and judgment so help me God.

James Wood Jr

Subscribed and sworn to before the undersigned, this the 22ND day of MARCH, 2020

Clerk, County Commission, Raleigh County, W. Va.

RECEIVED
JAN 21 2010

County Commission of Raleigh County

P O BOX 2518
116 1/2 NORTH HEBER STREET
BECKLEY, WEST VIRGINIA 25802-2518

January 19, 2010

Mr. John Mandeville
P O Box 412
Ghent, WV 25843

Dear Mr. Mandeville:

We are pleased to inform you that the County Commission, at their meeting on January 19, 2010, reappointed you to the Shady Spring PSD and your new term will expire December 31, 2015.

Please stop by the County Clerk's office at your earliest convenience to take the oath of office.

We appreciate your past service and continued willingness to serve the citizens of Raleigh County in this manner.

Respectfully,

John D. Humphrey, President

John L. Aliff, Commissioner

Pat Reed, Commissioner

cc: Shady Spring PSD

Phone (304) 255-9146 Fax (304) 255-9166 ralcom@raleighcounty.com

OATH

STATE OF WEST VIRGINIA }
} ss.
COUNTY OF RALEIGH }

I, _JOHN MADEVILLE_do solemnly swear that I will support the constitution of the United States and the constitution of this State and that I will faithfully discharge the duties of my office of SHADY SPRING PSD BOARD OF DIRECTORS to the best of my skill and judgment, so help me God.

_____/S/_____

Subscribed and sworn to before the undersigned this the __3RD_____ day of _____FEBRUARY_____ 2010_____.

Betty Riffe
Clerk County Commission, Raleigh County, WV

RECEIVED

County Commission of Raleigh County

P O BOX 2518
116 1/2 NORTH HEBER STREET
BECKLEY, WEST VIRGINIA 25802-2518

April 7, 2009

Mr. Lloyd Crook
168 Woodbury Road
Beaver, WV 25813

Dear Mr. Crook:

We are pleased to inform you that on April 7, 2009, in a regular meeting, the Raleigh County Commission appointed you to the Shady Spring Public Service District to fill a vacancy on that board. The appointment is effective immediately and will expire on December 31, 2011.

Please stop by the County Clerk's office at your earliest convenience to take the oath of office.

We appreciate your willingness to serve the citizens of Raleigh County in this manner.

Respectfully,

John D. Humphrey, President

John L. Aliff, Commissioner

Pat Reed, Commissioner

cc: Shady Spring Public Service District

Phone (304) 255-9146 Fax (304) 255-9166 ralcom@raleighcounty.com

OATH

STATE OF WEST VIRGINIA }
} ss.
COUNTY OF RALEIGH }

I, _LLOYD CROOK_do solemnly swear that I will support the constitution of the United States and the constitution of this State and that I will faithfully discharge the duties of my office of SHADY SPRING PUBLIC SERVICE DISTRICT to the best of my skill and judgment, so help me God.

_____/S/_____

Subscribed and sworn to before the undersigned this the _10TH day of April 2009.

Betty Riffe
Clerk County Commission, Raleigh County, WV

20

RULES OF PROCEDURE

PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. The name of this Public Service District shall be SHADY SPRING PUBLIC SERVICE DISTRICT (the "District").

Section 2. The principal office of the District will be located in Glen Morgan, West Virginia.

Section 3. The official seal of the District shall consist of two (2) concentric circles between which circles shall be inscribed SHADY SPRING PUBLIC SERVICE DISTRICT, and in the center "seal" as follows:

Section 4. The fiscal year of the District shall begin on the 1st day of July each year and shall end on the 30th day of June of the following year.

ARTICLE II

PURPOSE

Section 1. The District is organized and operated exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of the District (the "Board") shall be those persons appointed by The County Commission of County, West Virginia (the "County Commission"), 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 Board resign or otherwise become legally disqualified to serve as a member of the Board, the District 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 Board, the District 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 Board.

Section 3. The District shall provide to the Public Service Commission of West Virginia, within 30 days of the appointment, the following information: the new board member*s name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board, and such other information required under the Act.

Section 4. Each board member shall, within 6 months of taking office, successfully complete the training program established and administered by the Public Service Commission of West Virginia in conjunction with the West Virginia Division of Environmental Protection and the West Virginia Bureau for Public Health.

Section 5. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or

als to the District, nor shall a former board member be hired by the District in any ity within a minimum of 12 months after such board member*s term has expired or uch board member has resigned from the Board.

n 6. Salaries of the board members shall be established as provided in Chapter 16, e 13A, Section 4 of the Act. The District shall certify the number of customers to the Public Service Commission of West Virginia on the first day of July each Board members may be reimbursed for all reasonable and necessary expenses ly incurred in the performance of their duties.

n 7. The members of the Board are not personally liable or responsible for any ions of the District or the Board but are answerable only for willful misconduct in formance of their duties.

ARTICLE IV

MEETINGS OF THE BOARD

1. The members of the Board shall hold regular monthly meetings on such days of nth and at such place and hour as the members shall determine from time to time. y stated shall fall on a legal holiday, the meeting shall be held on the following ecial meetings of the Board may be called at any time by the Chairperson or by a of the Board.

2. At any meeting of the Board, a majority of the members of the Board shall e a quorum. Each member of the Board shall have one vote at any meeting and if is not present, those present may adjourn the meeting to a later date.

. Unless otherwise waived, notice to members of regular meetings shall be by elephone. Unless otherwise waived, notice to members of each special meeting letter or telephone not less than 48 hours before the date fixed for such special he notice of any special meeting shall state briefly the purposes of such meeting ure of the business to be transacted at such meeting, and no business other than in the notice shall be transacted at such special meeting.

Pursuant to Chapter 6, Article 9A, Section 3 of the Code of West Virginia, mended, notice of the date, time, place and agenda of all regularly scheduled the Board, and the date, time, place and purpose of all special meetings of the ll be made available, in advance, to the public and news media as follows:

Notice of Regularly Scheduled Meetings. Immediately after adoption of these

of Procedure and in July of each year thereafter, the Board shall instruct the ary to, and the Secretary shall, post, and leave posted throughout the year to which it s, at the regular meeting place of the Board and at the County Courthouse, where s customarily are posted, a notice setting forth the date, time and place of the s regularly scheduled meetings for the ensuing year. In addition, a copy of the a for each regularly scheduled meeting shall also be posted at the same location by ecretary not less than 48 hours before such regular meeting is to be held.

oard shall also instruct the Secretary to, and the Secretary shall, distribute to each of ewspapers and other news media listed below a notice identical to that posted:

Media Address

ce shall be considered distributed to a news medium when it has been addressed to news medium at the address listed above, or at such other address as the news m has in writing requested be used, marked or stamped with first class postage and ed in the United States mail. In July of each year after the adoption of these Rules edure, the Board shall review the above list and shall amend such list as needed, in nion of the Board, to reflect properly all the newspapers and other news media that arily cover news of the area served by the Board. In addition, a copy of the agenda h regularly scheduled meeting shall also be distributed to the news media by the ry not less than 48 hours before such regular meeting is to be held.

vent of any modification to the date, time, place or agenda of a regularly scheduled of the Board, notice of such modification shall immediately be given to the public s media by posting at the places and distributing to the news media in the manner above. A copy of the notice of such modification shall be attached to and made a he minutes of the meeting for which such notice was given.

2. Notice of Special Meetings. Not less than 48 hours prior to the date set for any meeting of the Board, the Board shall instruct the Secretary to, and the Secretary st at the regular meeting place of the Board and at the County Courthouse, where customarily are posted, a notice setting forth the date, time, place and purpose or of such special meeting. Business at such special meeting shall be limited to the or purposes specified in said notice.

as practical after the posting of said notice, but not less than 48 hours prior to the

set for such special meeting, the Secretary shall distribute to each of the newspapers other news media listed in Rule No. 1 hereof, a notice identical to that posted. endments made to such news media list, as provided for in said Rule No. 1, shall be orporated by reference in this Rule No. 2. A notice shall be considered distributed to a s medium when it has been addressed to such news medium at the address listed in Rule No. 1, or at such other address as the news medium has in writing requested be d, marked or stamped with first class postage and deposited in the United States mail.

opy of such notice posted and distributed pursuant to this Rule No. 2 shall be attached nd made a part of the minutes of the meeting for which such notice was given.

e No. 3. Emergency Meetings. The Board may hold a meeting without providing the ice to the public and news media required by Rule No. 1 and Rule No. 2 hereof only in event of an emergency requiring immediate official action. The existence for such an rgency requiring immediate official action shall be determined by the Board and shall ttested to in a certificate by the Secretary describing such emergency and setting forth reason or reasons immediate official action is required, which certificate shall be ched to and made a part of the minutes of such emergency meeting.

No. 4. Executive Sessions. The Board may hold an executive session during a lar, special or emergency meeting in accordance with Chapter 6, Article 9A, Section 4 e Code of West Virginia, 1931, as amended. During the open portion of the meeting, o convening an executive session, the Chairperson shall identify the authorization Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended, olding the executive session and present it to the Board and to the general public, but cision may be made in the executive session. An executive session may be held only a majority affirmative vote of the Board members present. The Board may hold an tive session and exclude the public only when a closed session is required for any of tions permitted under Chapter 6, Article 9A, Section 4 of the Code of West Virginia, as amended.

No. 5. Minutes. The Board shall provide for the preparation of written minutes of all meetings. Subject to the exceptions set forth in Chapter 6, Article 9A, Section 4 of de of West Virginia, 1931, as amended, minutes of all meetings except minutes of tive sessions, if any are taken, shall be available to the public within a reasonable ter the meeting and shall include, at least, the following information:

(1) The date, time and place of the meeting;

(2) The name of each Board member present and absent;

(3) All motions, proposals, resolutions, orders, ordinances and measures proposed, the name of the person proposing the same and their disposition; and

(4) The results of all votes and, upon the request of a Board member, the vote

of each Board member, by name.

Rule No. 6. No Actions by Reference. Except as otherwise expressly provided by law, the Board may not deliberate, vote, or otherwise take official action upon any matter by reference to a letter, number or other designation or other secret device or method, which may render it difficult for persons attending a meeting to understand what is being deliberated, voted or acted upon. However, this rule does not prohibit the Board from deliberating, voting or otherwise taking action by reference to an agenda, if copies of the agenda, sufficiently worded to enable the public to understand what is being deliberated, voted or acted upon, are available for public inspection at the meeting. The Board may not vote by secret or written ballot.

Rule No. 7. Broadcasting of Meetings. Except as otherwise provided in this rule, any radio or television station is entitled to broadcast all or any part of a Board meeting required to be open. The Board may regulate the placement and use of equipment necessary for broadcasting, photographing, filming or recording a meeting, so as to prevent undue interference with the meeting. The Board shall allow the equipment to be placed within the meeting room in such a way as to permit its intended use, and the ordinary use of the equipment may not be declared to constitute undue interference; provided, that if the Board, in good faith, determines that the size of the meeting room is such that all the members of the public present and the equipment and personnel necessary for broadcasting, photographing, filming and tape-recording the meeting cannot be accommodated in the meeting room without unduly interfering with the meeting and an adequate alternative meeting room is not readily available, then the Board, acting in good faith and consistent with the purposes of this rule, may require the pooling of the equipment and the personnel operating it.

Rule No. 8. Telephonic Meetings. Board meetings may be held by telephone conference or other electronic means. All Board members participating by telephone or other electronic means must be audible to all those personally present.

Section 5. All meetings of any committee of the Board shall be subject to the Rules of Procedure set forth in Section 4 above.

ARTICLE V

OFFICERS

Section 1. The officers of the Board shall be a Chairperson, Secretary and Treasurer. The

Chairperson shall be elected from the members of the Board. The Secretary and Treasurer need not be members of the Board.

Section 2. The officers of the Board shall be elected each year by the members at the first meeting after the first day of January of each 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 Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the next annual organizational meeting of the Board when their successors shall be elected as hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

ection 1. When present, the Chairperson shall preside as Chairperson at all meetings of he Board. He/She shall, together with the Secretary, sign the minutes of all meetings at hich he/she shall preside. He/She shall attend generally to the executive business of the oard and exercise such powers as may be conferred upon him/her by the Board, by these ules of Procedure, or prescribed by law. He/She shall execute, and if necessary, knowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements, or her documents necessary, requisite, proper or convenient to be executed by or on behalf the Board when and if directed by the members of the Board.

ction 2. If the Chairperson is absent from any meeting, the remaining members of the oard shall select a temporary chairperson.

ction 3. The Secretary shall keep a record of all proceedings of the Board which shall be ailable for inspection as other public records. Duplicate records shall be filed with the unty Commission and shall include the minutes of all Board meetings. He/She shall, ether with the Chairperson, sign the minutes of the meetings at which he/she is present. e Secretary shall have charge of the minute book, be the custodian of deeds and other cuments and papers of the Board. He/She shall also perform such other duties as may be uired of him/her by law or as may be conferred upon him/her from time to time by the mbers of the Board.

ction 4. The Treasurer shall be the lawful custodian of all funds of the District and shall y same out on orders authorized or approved by the Board. The Treasurer shall keep or se to be kept proper and accurate books of accounts and proper receipts and vouchers

for all disbursements made by or through him/her 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. The Treasurer shall keep and preserve all financial records of the District for 10 years and shall at all times have such records readily available for public inspection. At the end of his/her term of office, the Treasurer shall promptly deliver all financial records of the District to his successor in office. He/She shall also perform such other duties as may be required of him/her by law or as may be conferred upon him/her from time to time by the members of the Board. The Treasurer shall furnish bond in an amount to be fixed by the Board for the use and benefit of the District.

Section 5. No money may be paid out by the District except upon an order signed by the Chairperson and Secretary, or such other person or persons authorized by the Chairperson or the Secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the Board.

Section 6. The members and officers of the Board shall make available to the County Commission, at all times, all of its books and records pertaining to the District*s operation, finances and affairs, for inspection and audit.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

Section 1. These Rules of Procedure may be altered, changed, amended or added to at any regular or special meeting of the Board when a quorum is present and a majority of those present vote for the alteration, change, amendment or addition; but no such alteration, change, amendment or addition shall be made at any special meeting unless notice of the intention to propose such alteration, change, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such special meeting.

Adopted this day of , . 1/10/02

Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of the Rules of Procedure duly adopted by the Board of P Service District on , .

Dated this day of , . 1/10/02

[SEAL]

Secretary

H. Wyatt Hanna III
Attorney at Law

H. Wyatt Hanna, III WV State Bar No. 1579

322 2nd Avenue • P. O. Box 8070 • South Charleston, West Virginia 25303
(304) 744-3150 • Fax (304) 744-3157

RECEIVED
2009 JUL 15 A 11: 05
WVA PUBLIC SERVICE COMMISSION
SECRETARY'S OFFICE

July 14, 2009

Ms. Sandra Squire
Executive Secretary
Public Service Commission of WV
201 Brooks Street
Charleston, WV 25301

RE: Case No. 09-1053-PSD-PC-CN
Shady Spring Public Service District, a public utility.
Application for a Certificate of Convenience and Necessity to construct certain improvements to the District's existing wastewater collection system within its existing boundaries located in Raleigh County, West Virginia.

Dear Ms. Squire:

Enclosed please find for filing with regard to the above-referenced matter on behalf of Shady Spring Public Service District, Raleigh County, West Virginia, are the original and twelve (12) copies of An Affidavit of Publication from the Beckley Newspapers which indicates that the District's NOTICE OF FILING was published in The Register-Herald on July 7, 2009.

In the event you have any questions or you desire to discuss this filing further with me, please do not hesitate to contact my office.

Sincerely,

H. Wyatt Hanna, III
State Bar No. 1579

HWHIII/rb
Enclosures
cc: Shady Spring PSD
Michael Griffith, CPA
Bill Richmond, Esquire
Joe Carney, PE

AFFIDAVIT OF PUBLICATION
BECKLEY NEWSPAPERS
BECKLEY, WEST VIRGINIA 25801

July 07, 2009

STATE OF WEST VIRGINIA
COUNTY OF RALEIGH, to wit:

I, Tara Meyer, being duly sworn upon my oath, do depose and say that I am Legal Advertising Manager for Beckley Newspapers, a corporation, publisher of the newspaper entitled The Register-Herald, an Independent newspaper; that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published daily for at least fifty weeks during the calendar year, in the municipality of Beckley, Raleigh County, West Virginia; that such newspaper is a newspaper of "general circulation" as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price of consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements and other notices; that the annexed notice

of NOTICE OF FILING
(Description of notice)

was duly published in said newspaper once a week for one successive weeks (Class 1), commencing with the issue of the 7th day of July, 2009, and ending with the issue of the 7th day of July, 2009, that said annexed notice was published on the following dates: 07/07/09 and that the cost of publishing said annexed notice as aforesaid was $ 229.28

Signed Tara Meyer
Tara Meyer
Legal Advertising Manager
Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this:
7th day of July, 2009

My commission expires March 27, 2011

Diana L Stone
Notary Public of Raleigh County, West Virginia

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
DIANA L. STONE
BECKLEY, WV 25802
My commission expires March 27, 2011

COPY OF PUBLICATION

RECEIVED
2009 JUL 15 A 11:05
WVA PUBLIC SERVICE COMMISSION
SECRETARY'S OFFICE

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA, CHARLESTON

ntered by the Public Service Commission of West Virginia, in the City of Charleston on the 25th day of June, 2009.

SE NO. 09-1053-PSD-PC-CN

ADY SPRING PUBLIC SERVICE DISTRICT, a public utility, Raleigh County, West Virginia.

pplication for a Certificate of Convenience and Necessity to construct certain improvements to the District's existing wastewater collection system within its existing boundaries located in Raleigh County, West Virginia.

NOTICE OF FILING

n the 25th day of June, 2009, Shady Spring Public Service District ("District") filed an application, duly verified, for a Certificate to construct certain improvements to the District's existing wastewater collection system thin its existing boundaries located in Raleigh County, West Virginia and for approval of a Capital Improvement Fee. The application is on file with and available for public inspection at the Public Service Commission, 1 Brooks Street, in Charleston, West Virginia.

RECEIVED

2009 JUL 15 A 11: 05

WVA PUBLIC SERVICE COMMISSION
S... OFFICE

he District estimates that the new construction to its system will cost an amount not to exceed $2,500,000.00. It is proposed that the construction will be financed as follows:

he District proposes to finance the project through a loan with the West Virginia Department of Environmental Protection, SRF Loan Fund Program, in an amount not to exceed $2,500,000.00 for a term not to exceed 38 ars, at an interest rate of 0%, with an administrative fee not to exceed 0.5%.

he District anticipates charging the following pre-project and post-project rates and charges:

PRE-PROJECT RATES AND CHARGES

SCHEDULE I

PLICABILITY

pplicable within the entire territory served except for the Ghent area and service area formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association.

AILABILITY OF SERVICE

vailable for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

TES

sage Charge: $7.90 per 1,000 gallons of water usage

AT RATE CHARGE (Customers with non-metered water supply)

quivalent to 3,800 gallons of water usage $30.02 per month

NIMUM CHARGE

lo bill will be rendered for less than $19.75 per month, which is equivalent of 2,500 gallons

TURNED CHECK CHARGE

. service charge of $25.00 will be imposed upon any customers whose check for payment of charges is returned by the bank for any reason.

SCONNECT - RECONNECT - ADMINISTRATIVE FEES

henever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge / Flat Top Public Service strict, Beckley Water Company, or West Virginia American Water Company, Inc., a disconnection fee of $25.00 shall be charged; or in the event the delinquent sewer bill is collected (after termination is started) by the ter company or the District, an administrative fee of $25.00 shall be charged.

henever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a service termination agreement with Raleigh County Public Service District, ol Ridge / Flat Top Public Service District, Beckley Water Company, or West Virginia American Water Company, Inc., is reconnected, a reconnection fee of $25.00 shall be charged.

CURITY DEPOSIT

ll new applicants for residential or other sewer service shall make a deposit of (i) fifty dollars ($50.00), or (ii) two-twelfths (2/12) of the average annual usage for the applicant's specific customer class for sewer service, ichever is greater, with the District to secure the payment of sewer service rates and charges.

LAYED PAYMENT PENALTY

n all current billings not paid in full by the latest pay date, 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 ere it is appropriate.

P FEE

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

. 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-nstruction tap fee will be invalid after the completion of construction adjacent to the applicant's premises that is associated with a certificate proceeding.

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

AK ADJUSTMENT

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

T, CREDIT CARD AND DROP BOX PAYMENTS

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

SCHEDULE II

PLICABILITY

pplicable to the Ghent area and the territories formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association.

AILABILITY OF SERVICE

vailable for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

TES (Customers with metered water supply)

ustomer Charge - Each customer shall pay a customer charge of $20.25 per month

ommodity Charge - Each customer shall pay a commodity charge of $7.90 per 1,000 gallons per month.

AT RATE CHARGE (Customers with non-metered water supply)

quivalent to 3,800 gallons of water usage $50.27 per month ($20.25 + $30.02)

NIMUM CHARGE

o bill will be rendered for less than $40.00 per month ($20.25 + $19.75) which is equivalent of 2,500 gallons

TURNED CHECK CHARGE

service charge of $25.00 will be imposed upon any customers whose check for payment of charges is returned by the bank for any reason.

SCONNECT - RECONNECT - ADMINISTRATIVE FEES

henever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge / Flat Top Public Service strict, Beckley Water Company, or West Virginia American Water Company, Inc., a disconnection fee of $25.00 shall be charged; or in the event the delinquent sewer bill is collected (after termination is started) by the ter company or the District, an administrative fee of $25.00 shall be charged.

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CURITY DEPOSIT

ll new applicants for residential or other sewer service shall make a deposit of (i) fifty dollars ($50.00), or (ii) two-twelfths (2/12) of the average annual usage for the applicant's specific customer class for sewer service, ichever is greater, with the District to secure the payment of sewer service rates and charges.

LAYED PAYMENT PENALTY

n all current billings not paid in full by the latest pay date, 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 ere it is appropriate.

DELAYED PAYMENT PENALTY
On all current billings not paid in full by the latest pay date, 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
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 the applicant's premises that is associated with a certificate proceeding.
A tap fee of $300.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

LEAK ADJUSTMENT
$3.00 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of meter. This rate shall be applied to all such consumption above the customer's historical usage.

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

SCHEDULE III - All Customers

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO SHADY SPRINGS PUBLIC SERVICE DISTRICT'S SEWER SYSTEM

APPLICABILITY
Where Shady Spring PSD has discovered that a customer's roof drain, down spouts, storm sewer or other similar facilities conducting surface water have been connected to the District's sewer system, and such a customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the District in accordance with the rules and Regulations of the Pubic Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times 0.0006233 \times C$$

S = The surcharge in dollars
A = The area under roof and/or the area of any other water collection surface connected to the District's sanitary sewer, in square feet.
R = The measured monthly rainfall, in inches.
0.0006233 = A conversion factory or to change inches of rain x square feet of surface water to thousands of gallons of water.
C = The District's approved rate per thousand gallons of metered water usage.

The District shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing or on-site inspection that rain or surface water is being introduced into the District's sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the District's Sanitary Sewer System.
Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules of the Public Service Commission of West Virginia.

SCHEDULE IV - All Customers

SURCHARGE FORMULA TO BE APPLIED TO A CUSTOMER PRODUCING UNUSUAL WASTE
The Charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci = VoVi + BoBi + SoSi$$

Ci = Charge to unusual users per year
Vo = Average unit cost of transport and treatment chargeable to volume, in dollars per gallon
Vi = Volume of wastewater from unusual users, in gallons per year
Bo = Average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound
Bi = Weight of BOD from unusual users, in pounds per year
So = Average unit costs of treatment (including sludge treatment) chargeable to total solids, in dollars per pound
Si = Weight of total solids from unusual users, in pounds per year.

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in the judgement of the District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefore, based upon the formula set out above.
Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and audit of the Shady Spring Public Service District's records, new cost figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user, or refund given by the District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

SCHEDULE V - All Customers

APPLICABLE INSIDE AND OUTSIDE THE CORPORATE LIMITS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT
Where the amount of sanitary sewage discharged into the Shady Spring waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the District's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Shady Spring Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

SCHEDULE VI - All Customers

APPLICABILITY
Available in entire territory served.

AVAILABILITY OF SERVICE
Available for wastewater and leachate haulers.

RATES
Usage Charge: Each hauler shall pay a commodity charge of $25.00 per 1,000 gallons per load. Load will be two times the actual capacity of the truck or other transport method delivering wastewater and leachate. Actual capacity shall be determined or verified by the Shady Spring P.S.D.

DELAYED PAYMENT PENALTY
The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

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

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

SCHEDULE VII - All Customers

CAPITAL IMPROVEMENT FEE

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

SCHEDULE VII - All Customers

CAPITAL IMPROVEMENT FEE

APPLICABILITY

Applicable to developers only, which is defined as a person, corporation, or entity who/that is in the business of land and/or commercial or housing development for profit, or a person, corporation, or entity who requests an alternative main line extension that includes the installation of mains by the person, corporation or entity. Owners of existing or new (being constructed) single family structures, where the person applying for service will be the customer of record, and the proposed service location is not part of a larger land tract development, shall be exempt from payment of the CIF.

CAPITAL IMPROVEMENT FEE

There shall be paid to the Shady Spring Public Service District, either (a) at the time the application is made for connection to the sewer system of an unserved facility constructed pursuant to a building permit issued, o

(b) when service is commenced to an unserved facility constructed pursuant to a building permit issued prior to approval of this provision, the time of payment to be at the election of the District, a capital improvement fee of $2,000 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth below. The funds collected from the capital improvement fee shall be maintained in a separate fund administered by the District and shall be used only for the purpose of capital improvements of the District's sewer system. Any item that is considered a capital asset would be eligible for funding by these fees. These funds may also be used for payments pursuant to mainline agreements and alternate mainline agreements with reimbursement requirements. The usage equivalent for other than single family residential units for the capital improvements fee shall be based upon the following:

UNIT	RESIDENTIAL GALLONS PER DAY	USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches without kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar and Cocktail Lounge	2/patron	0.013/patron
Tavern - Little or no food	20/seat	0.132/seat
Hotel	120/room	0.8/room
Industry, sanitary	15/person/shift	0.1/person per shift
Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
Mobile Home Park	150/unit space	1.0/unit space
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence
School		
Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Center	16/100 feet of sales area	0.12/100 feet of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters		
Drive Inn	4/car space	0.027/car space
Other(s)	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule, the District shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

(THIS AD CONTINUES ON 9B)

POST-PROJECT RATES AND CHARGES

SCHEDULE I

APPLICABILITY

Applicable within the entire territory served except for the Ghent area and service area formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association.

AVAILABILITY OF SERVICE

Available for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

RATES

Usage Charge: $6.15 per 1,000 gallons of water usage

FLAT RATE CHARGE (Customers with non-metered water supply)

Equivalent to 3,800 gallons of water usage $30.97 per month

MINIMUM CHARGE

No bill will be rendered for less than $20.38 per month, which is equivalent of 2,500 gallons

RETURNED CHECK CHARGE

A service charge of $25.00 will be imposed upon any customers whose check for payment of charges is returned by the bank for any reason.

DISCONNECT - RECONNECT - ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge / Flat Top Public Service District, Beckley Water Company, or West Virginia American Water Company, Inc., a disconnection fee of $25.00 shall be charged; or in the event the delinquent sewer bill is collected (after termination is started) by the water company or the District, an administrative fee of $25.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a service termination agreement with Raleigh County Public Service District, Cool Ridge / Flat Top Public Service District, Beckley Water Company, or West Virginia American Water Company, Inc., is reconnected, a reconnection fee of $25.00 shall be charged.

SECURITY DEPOSIT

All new applicants for residential or other sewer service shall make a deposit of (i) fifty dollars ($50.00), or (ii) two-twelfths (2/12) of the average annual usage for the applicant's specific customer class for sewer service, whichever is greater, with the District to secure the payment of sewer service rates and charges.

DELAYED PAYMENT PENALTY

On all current billings not paid in full by the latest pay date, 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

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 the applicant's premises that is associated with a certificate proceeding.

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

LEAK ADJUSTMENT

$3.00 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of meter. This rate shall be applied to all such consumption above the customer's historical usage.

EFT, CREDIT CARD AND DROP BOX PAYMENTS

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

SCHEDULE II

APPLICABILITY

Applicable to the Ghent area and the territories formerly served by Glade Springs Utility Limited Liability Company and Flat Top Lake Association.

AVAILABILITY OF SERVICE

Available for domestic, commercial, industrial (except unusual industrial waste) and resale sewer service.

RATES (Customers with metered water supply)

Customer Charge - Each customer shall pay a customer charge of $19.25 per month

Commodity Charge - Each customer shall pay a commodity charge of $6.15 per 1,000 gallons per month.

FLAT RATE CHARGE (Customers with non-metered water supply)

Equivalent to 3,800 gallons of water usage $50.22 per month ($19.25 + $30.97)

MINIMUM CHARGE

No bill will be rendered for less than $39.63 per month ($19.25 + $20.38) which is equivalent of 2,500 gallons

RETURNED CHECK CHARGE

A service charge of $25.00 will be imposed upon any customers whose check for payment of charges is returned by the bank for any reason.

DISCONNECT - RECONNECT - ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement with Raleigh County Public Service District, Cool Ridge / Flat Top Public Service District, Beckley Water Company, or West Virginia American Water Company, Inc., a disconnection fee of $25.00 shall be charged; or in the event the delinquent sewer bill is collected (after termination is started) by the water company or the District, an administrative fee of $25.00 shall be charged.

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SECURITY DEPOSIT

All new applicants for residential or other sewer service shall make a deposit of (i) fifty dollars ($50.00), or (ii) two-twelfths (2/12) of the average annual usage for the applicant's specific customer class for sewer service, whichever is greater, with the District to secure the payment of sewer service rates and charges.

DELAYED PAYMENT PENALTY

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EFT, CREDIT CARD AND DROP BOX PAYMENTS

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

SCHEDULE III - All Customers

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO SHADY SPRINGS PUBLIC SERVICE DISTRICT'S SEWER SYSTEM

SCHEDULE III - All Customers

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO SHADY SPRINGS PUBLIC SERVICE DISTRICT'S SEWER SYSTEM

APPLICABILITY

Where Shady Spring PSD has discovered that a customer's roof drain, down spouts, storm sewer or other similar facilities conducting surface water have been connected to the District's sewer system, and such a customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the District in accordance with the rules and Regulations of the Pubic Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times 0.0006233 \times C$$

S = The surcharge in dollars

A = The area under roof and/or the area of any other water collection surface connected to the District's sanitary sewer, in square feet.

R = The measured monthly rainfall, in inches.

0.0006233 = A conversion factory or to change inches of rain x square feet of surface water to thousands of gallons of water.

C = The District's approved rate per thousand gallons of metered water usage.

Shady Spring PSD shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing or on-site inspection that rain or surface water is being introduced into the District's sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the District's Sanitary Sewer System.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules of the Public Service Commission of West Virginia.

SCHEDULE IV - All Customers

SURCHARGE FORMULA TO BE APPLIED TO A CUSTOMER PRODUCING UNUSUAL WASTE

The Charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci = VoVi + BoBi + SoSi$$

Ci = Charge to unusual users per year

Vo = Average unit cost of transport and treatment chargeable to volume, in dollars per gallon

Vi = Volume of wastewater from unusual users, in gallons per year

Bo = Average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound

Bi = Weight of BOD from unusual users, in pounds per year

So = Average unit costs of treatment (including sludge treatment) chargeable to total solids, in dollars per pound

Si = Weight of total solids from unusual users, in pounds per year.

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in the judgement of the District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefore, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and audit of the Shady Spring Public Service District's records, new cost figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user, or refund given by the District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

SCHEDULE V - All Customers

APPLICABLE INSIDE AND OUTSIDE THE CORPORATE LIMITS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Shady Spring waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the District's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Shady Spring Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

SCHEDULE VI - All Customers

APPLICABILITY

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for wastewater and leachate haulers.

RATES

Usage Charge: Each hauler shall pay a commodity charge of $25.00 per 1,000 gallons per load. Load will be two times the actual capacity of the truck or other transport method delivering wastewater and leachate. Actual capacity shall be determined or verified by the Shady Spring P.S.D.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RETURNED CHECK CHARGE

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

EFT, CREDIT CARD AND DROP BOX PAYMENTS

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

SCHEDULE VII - All Customers

CAPITAL IMPROVEMENT FEE

APPLICABILITY

Applicable to developers only, which is defined as a person, corporation, or entity who/that is in the business of land and/or commercial or housing development for profit, or a person, corporation, or entity who requests an alternative main line extension that includes the installation of mains by the person, corporation or entity. Owners of existing or new (being constructed) single family structures, where the person applying for service will be the customer of record, and the proposed service location is not part of a larger land tract development, shall be exempt from payment of the CIF.

CAPITAL IMPROVEMENT FEE

There shall be paid to the Shady Spring Public Service District, either (a) at the time the application is made for connection to the sewer system of an unserved facility constructed pursuant to a building permit issued, or (b) when service is commenced to an unserved facility constructed pursuant to a building permit issued prior to approval of this provision, the time of payment to be at the election of the District, a capital improvement fee of $2,000 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth below. The funds collected from the capital improvement fee shall be maintained in a separate fund administered by the District and shall be used only for the purpose of capital improvements of the District's sewer system. Any item that is considered a capital asset would be eligible for funding by these fees. These funds may also be used for payments pursuant to mainline agreements and alternate mainline agreements with reimbursement requirements. The usage equivalent for other than single family residential units for the capital improvements fee shall be based upon the following:

UNIT	RESIDENTIAL GALLONS PER DAY	USAGE EQUIVALENT

SCHEDULE VII - All Customers

CAPITAL IMPROVEMENT FEE

APPLICABILITY

Applicable to developers only, which is defined as a person, corporation, or entity who/that is in the business of land and/or commercial or housing development for profit, or a person, corporation, or entity who requests an alternative main line extension that includes the installation of mains by the person, corporation or entity. Owners of existing or new (being constructed) single family structures, where the person applying for service will be the customer of record, and the proposed service location is not part of a larger land tract development, shall be exempt from payment of the CIF.

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There shall be paid to the Shady Spring Public Service District, either (a) at the time the application is made for connection to the sewer system of an unserved facility constructed pursuant to a building permit issued, or (b) when service is commenced to an unserved facility constructed pursuant to a building permit issued prior to approval of this provision, the time of payment to be at the election of the District, a capital improvement fee of $2,000 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth below. The funds collected from the capital improvement fee shall be maintained in a separate fund administered by the District and shall be used only for the purpose of capital improvements of the District's sewer system. Any item that is considered a capital asset would be eligible for funding by these fees. These funds may also be used for payments pursuant to mainline agreements and alternate mainline agreements with reimbursement requirements. The usage equivalent for other than single family residential units for the capital improvements fee shall be based upon the following:

UNIT	RESIDENTIAL GALLONS PER DAY	USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches without kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar and Cocktail Lounge	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/seat
Hotel	120/room	0.8/room
Industry, sanitary	15/person/shift	0.1/person per shift
Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
Mobile Home Park	150/unit space	1.0/unit space
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence
School		
Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Center	16/100 feet of sales area	0.12/100 feet of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters		
Drive Inn	4/car space	0.027/car space
Other(s)	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule, the District shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

The proposed increased rates and charges will produce approximately $254,217.00 annually, on an interim basis, an increase of 14.3%, and upon completion of the proposed project, additional revenue of $48,286.00, an increase of 2.41%.

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. Further more, 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 §24-2-11, West Virginia Code, IT IS ORDERED that the Shady Spring Public Service District give notice of the filing of said application, by publishing a copy of this order once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Raleigh 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 no protests are received within said thirty (30) day period, the Commission may waive formal hearing and grant the application based on the evidence submitted with said application and its review thereof.

A True Copy, Teste:

SANDRA SQUIRE, Executive Secretary

7-7-TUE-1-RH; LG 8588

SHADY SPRING PUBLIC SERVICE DISTRICT
Post Office Box 235
Beaver, West Virginia 25813-02355
Phone – 304/255-1565
Fax – 304/255-3730

MINUTES

October 15, 2010

In Attendance:

Jim Wood, Chairman
John R. Mandeville, Commissioner
Lloyd Crook, Treasurer
Jerry D. Smith, General Manager
Patty Roles, Office Manager

1. The duly called, semi-monthly board meeting was called to order by Jim Wood, Chairman at the district's office at 220 C & O Shop Road in Glen Morgan, WV at 8:00 AM, motion was seconded by Lloyd Crook, Treasurer, the motion carried.

2. A motion was made by Jim Wood, Chairman to approve minutes from the October 1, 2010 meeting, John R. Mandeville, Commissioner seconded motion, the motion carried.

3. There were no quests or visitors at the meeting.

4. Jerry Smith, General Manager made the motion to elect new officers. Jim Wood seconded the motion, the motion carried. John R. Mandeville, Commissioner made the motion to elect Lloyd W. Crook as Secretary-Treasurer for a second term, the motion carried. Lloyd W. Crook, made the motion to keep Jim Wood as the Chairman of the Board, motion seconded by John R. Mandeville, the motion carried.

5. Old Business

A. **<u>The Cool Ridge/Flat Top Lake Project</u> -** Walker Subdivision – Sewer Extension - The men are back to work at Walker – they were able to get eight more homes tapped-in. They may have to wait until Spring to complete the work.

B. New Business

A. <u>Glade Springs/Plant Upgrade</u> -

1. All of the paperwork at DEP has been completed on the Plant Upgrade Project. The PSD received the Final Order on the Plant Upgrade Project, Case No. 09-1053-PSD-PC-CN, dated October 6, 2010, from the Public Service Commission.

2. The Bond Closing for the Plant Upgrade Project has been scheduled for Wednesday, October 20, 2010 at 8:30 AM to be held at the district office. City National Bank will be the Bond Trustee at a fee of $500.00.

3. John Poffenbarger, Bond Counselman and his assistant, Camden P. Siegrist, Attorney, and all of our Board Members will be present for the Bond Closing.

6. Invoices for Payment

The Board Members reviewed the invoices to be paid and Jim Wood made a motion to approve them for payment. Lloyd Crook, seconded the motion, the motion, the motion carried.

7. Adjournment of Meeting

There being no further business to be brought up before the board at this meeting, the motion for adjournment was made by Jim Wood, Chairman, John R. Mandeville, Commissioner seconded the motion, the motion carried.

The next semi-monthly board meeting is to be held on Monday morning, November 1, 2010 at 8:00 AM.

_____ **Chairman**

_____ **Treasurer**

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(STATE REVOLVING FUND)

MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION

I, Lloyd W. Crook, Secretary-Treasurer of the Public Service Board of Shady Springs Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

****** ****** ******

The Public Service Board of Shady Springs Public Service District met in special session, pursuant to notice duly posted, on the 20th day of October, 2010, at the offices of the Shady Springs Public Service District, 220 C and O Shop Road, Glen Morgan, West Virginia, at the hour of 8:30 a.m.

PRESENT: James Wood, Jr., Chairperson
Lloyd W. Crook, Secretary-Treasurer
John R. Mandeville, Board Member
Jerry D. Smith, General Manager
Patty Roles, Office Manager
William F. Richmond, Jr., General Counsel
Joseph T. Carney, P.E.
John T. Poffenbarger, Bond Counsel
Camden P. Siegrist, Bond Counsel

ABSENT: None

James Wood, Jr., Chairperson, presided, and Lloyd W. Crook acted as Secretary.

Thereupon the Chairperson presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF PUBLIC SEWER FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,422,826 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2010 (CLEAN WATER STATE REVOLVING 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 A BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion by Lloyd W. Crook, seconded by John R. Mandeville, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

The Chairperson then presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SHADY SPRINGS PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2010 (CLEAN WATER STATE REVOLVING FUND); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 2010 BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; APPROVING AND RATIFYING THE BOND PURCHASE AGREEMENT WITH RESPECT TO THE SERIES 2010 BONDS; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, on motion by John R. Mandeville, seconded by Lloyd W. Crook, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

*** *** ***

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I hereby certify that the foregoing actions of said Public Service Board remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 25th day of October, 2010.

Secretary,
Shady Springs Public Service District

WEST VIRGINIA MUNICIPAL BOND COMMISSION
Suite 401
1207 Quarrier Street, Charleston, WV 25301
(304) 558-3971 FAX: 558-1280

NEW ISSUE REPORT FORM
Date of Report: October 25, 2010

ISSUE: Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund)

ADDRESS: P. O. Box 235, Beaver, WV 25813

COUNTY: Raleigh

PURPOSE OF ISSUE: New Money X
Refunding ____

Refunds issue(s) dated: ____

ISSUE DATE October 25, 2010

CLOSING DATE: October 25, 2010

ISSUE AMOUNT: $ 2,422,826
1st DEBT SERVICE DUE: June 1, 2012
1st DEBT SERVICE AMOUNT: $ 20,191

RATE: 0% (.5% Administrative Fee)
1st PRINCIPAL DUE: June 1, 2012
PAYING AGENT: Municipal Bond Commission

BOND COUNSEL: Bowles Rice McDavid Graff & Love LLP
Contact Person: Camden P. Siegrist
Phone: (304) 347-1129

UNDERWRITER'S COUNSEL: Jackson Kelly, PLLC
Contact Person: Samme L. Gee, Esq.
Phone: (304) 340-1318

CLOSING BANK: City National Bank of West Virginia
Contact Person: Diane Keller
Phone: (304) 255-7310

ESCROW TRUSTEE: ____
Contact Person: ____
Phone: ____

KNOWLEDGEABLE ISSUE CONTACT:
Contact Person: Jerry Smith
Position: General Manager
Phone: (304) 255-1565
Email: shadypsd@frontier.com

OTHER: West Virginia Department of Environmental Protection
Contact Person: Rosalie Brodersen
Function: Program Manager
Phone: (304) 926-0499, ext. 1608

DEPOSITS TO MBC AT CLOSE: ____

By: ____ Wire
____ Check

____ Accrued Interest: $ ____
____ Capitalized Interest: ____
____ Reserve Account: $ ____
____ Other: ____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By: ____ Wire
____ Check
____ IGT

____ To Escrow Trustee: $ ____
____ To Issuer: $ ____
____ To Cons. Invest. Fund $ ____
____ To ____ $ ____

NOTES: ____

FOR MUNICIPAL BOND COMMISSION USE ONLY:
Documents Required: ____
Transfers Required: ____

3184658.1

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

City National Bank of West Virginia, with offices in Beckley, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution adopted October 20, 2010, as supplemented and amended by a Supplemental Resolution adopted October 20, 2010 (collectively, the "Bond Resolution") authorizing the issuance of the Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund), dated October 25, 2010, in the aggregate principal amount of $2,422,826 (the "Bonds") and agrees to perform all duties of Depository Bank in connection with such Bonds, all as set forth in said Bond Resolution.

Dated this 25th day of October, 2010.

CITY NATIONAL BANK OF
WEST VIRGINIA

By:_____
Its: Authorized Representative

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

ACCEPTANCE OF DUTIES OF REGISTRAR

City National Bank of West Virginia, with offices in Beckley, West Virginia, hereby accepts appointment as Registrar in connection with the Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund), dated October 25, 2010, in the aggregate principal amount of $2,422,826 (the "Bonds") and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Resolution and Supplemental Resolution authorizing issuance of the Bonds.

Dated this 25th day of October, 2010.

CITY NATIONAL BANK
OF WEST VIRGINIA

By:_____
Its: Authorized Representative

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

CERTIFICATE OF REGISTRATION OF BONDS

City National Bank of West Virginia, Beckley, West Virginia, as Registrar for the Series 2010 Bonds under the Registrar's Agreement and the Bond Resolution providing for the issuance of the above-captioned bonds, hereby certifies that on the date hereof, the single, fully registered Shady Springs Public Service District Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund), dated October 25, 2010, in the aggregate principal amount of $2,422,826, numbered R-1, was registered as to principal in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of City National Bank of West Virginia, as Registrar.

WITNESS my signature as of this 25th day of October, 2010.

CITY NATIONAL BANK OF
WEST VIRGINIA

By:_____
Its: Authorized Representative

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 25th day of October, 2010, by and between the SHADY SPRINGS PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia (the "Issuer"), and CITY NATIONAL BANK OF WEST VIRGINIA, a national banking association, Beckley, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund), dated October 25, 2010, in the aggregate principal amount of $2,422,826 (the "Series 2010 Bonds"), in fully registered form, pursuant to a Bond Resolution adopted October 20, 2010, and a Supplemental Resolution adopted October 20, 2010 (collectively, the "Resolution");

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

WHEREAS, the Resolution provides for an appointment by the Issuer of a Registrar for the Series 2010 Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Resolution and this Registrar's Agreement does appoint, the Registrar to act as Registrar for the Series 2010 Bonds under the Resolution and to take certain other actions hereinafter set forth;

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

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Series 2010 Bonds, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver Series 2010 Bonds upon original issuance and when properly presented for exchange or transfer in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

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

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

4. For its fees and expenses hereunder, the Registrar shall receive the amount of $500, said $500 to be payable upon the issuance of the Series 2010 Bonds.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Resolution with respect to the Registrar for the Series 2010 Bonds. In the event of any conflict between the terms of this Registrar's Agreement and the Resolution, the terms of the Resolution shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Resolution will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

Issuer:	Shady Springs Public Service District P. O. Box 235 Beaver, West Virginia 25813
Registrar:	City National Bank of West Virginia One Park Avenue Beckley, West Virginia 25801

8. The Registrar is hereby requested and authorized to authenticate and deliver the Series 2010 Bonds in accordance with the Resolution.

IN WITNESS WHEREOF, SHADY SPRINGS PUBLIC SERVICE DISTRICT and CITY NATIONAL BANK OF WEST VIRGINIA, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

SHADY SPRINGS PUBLIC
SERVICE DISTRICT

By:_____
Its: Chairperson

CITY NATIONAL BANK OF WEST VIRGINIA

By:_____
Its: Authorized Representative

EXHIBIT A

[SEE TRANSCRIPT DOCUMENT NUMBERS 1 AND 2]

WEST VIRGINIA
Water Development Authority

Celebrating 34 Years of Service 1974 - 2008

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010
(CLEAN WATER STATE REVOLVING FUND)

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Michael D. Griffith, CPA, the independent certified public accountant, and the opinion of Bowles Rice McDavid Graff & Love LLP, Bond Counsel, that the applicable coverage and parity tests have been met on behalf of the Shady Springs Public Service District (the "Issuer"), the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for the Authority, as the registered owner of the Issuer's (i) Sewer Revenue Bonds, Series 1982B, dated August 12, 1982, issued in the original principal amount of $795,515; (ii) Sewer Revenue Bonds, Series 1994A, dated June 8, 1994, issued in the original principal amount of $170,532; (iii) Sewer Revenue Bonds, Series 1996A, dated April 25, 1996, issued in the original principal amount of $151,800; (iv) Sewer Revenue Bonds, Series 1997C, dated June 24, 1997, issued in the original principal amount of $2,197,304; (v) Sewer Revenue Refunding Bonds, Series 1997D, dated June 24, 1997, issued in the original principal amount of $3,056,955; (vi) Sewer Revenue Bonds, Series 1998A, dated November 25, 1998, issued in the original principal amount of $1,202,100; (vii) Sewer Revenue Bonds, Series 1998B, dated December 17, 1998, issued in the original principal amount of $839,000; (viii) Sewer Revenue Bonds, Series 1999A, dated March 18, 1999, issued in the original principal amount of $752,000; (ix) Sewer Revenue Bonds, Series 1999B, dated March 18, 1999, issued in the original principal amount of $165,000; (x) Sewer Revenue Bonds, Series 2002A, dated March 8, 2002, issued in the original principal amount of $2,419,905; (xi) Sewer Revenue Bonds, Series 2005A (West Virginia Infrastructure Fund), dated December 13, 2005, issued in the original principal amount of $2,875,000; and (xii) Sewer Revenue Bonds, Series 2005B (State Revolving Fund), dated December 13, 2005, issued in the original principal amount of $3,078,043 (collectively, the "Prior Bonds"), hereby consents to the issuance of the Issuer's Sewer Revenue Bonds (Clean Water State Revolving Fund), Series 2010, dated October 25, 2010, in the aggregate principal amount of $2,422,826, on a parity with respect to liens, pledges and sources of and security for payment with the Prior Bonds.

Dated this 25th day of October, 2010.

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

Authorized Representative

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

3182236.1

West Virginia Infrastructure & Jobs Development Council

Public Members:
Kenneth Lowe, Jr.
Shepherdstown
Dwight Calhoun
Petersburg
Dave McComas
Prichard
Ron Justice
Morgantown

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Jefferson E. Brady, PE
Executive Director

Jefferson.Brady@verizon.net

February 6, 2008

Jerry Smith, General Manager
Shady Spring Public Service District
P.O. Box 235
Beaver, West Virginia 25813

Re: Shady Spring Public Service District
Sewer Project 2001S-616

Dear Mr. Smith:

The West Virginia Infrastructure and Jobs Development Council (the "Council") has reviewed the Shady Spring Public Service District's (the "District") revised preliminary application to upgrade seven existing pump stations to accommodate increase flows, slipline existing interceptor sewer to correct infiltration, and design an expansion to the existing sewage treatment plant (the "Project").

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

Upon consideration of the revised preliminary application, the Council determined that the District should pursue $2,175,826 private financing to be converted to permanent Clean Water State Revolving Fund financing to fund this project. Please contact the West Virginia Department of Environmental Protection office at (304) 926-0495 for specific information on the steps the District needs to follow to apply for these funds. **Please note that this letter <u>does not</u> constitute funding approval from this agency.**

If you have any questions regarding this matter, please contact Jeff Brady at 558-4607.

Sincerely,

Kenneth Lowe, Jr.

Enclosure
cc: Mike Johnson, P.E., DEP (w/o enclosure)
Region I Planning & Development Council
Joseph Carney, P.E., E. L. Robinson Engineering Co.

RECEIVED
MAY 2 6 2010

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dep

west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street S.E.
Charleston, WV 25304
Phone: (304) 926-0495
Fax: (304) 926-0496

Joe Manchin III, Governor
Randy C. Huffman, Cabinet Secretary
dep.wv.gov

May 20, 2010

James Wood, Jr., Chairman
Shady Spring PSD
P. O. Box 235
Beaver, West Virginia 25813-0235

RE: Shady Spring PSD
CWSRF #C-544424
IJDC #2001S-616

Dear Mr. Wood:

This letter is to confirm our intention of providing of the long-term financing through the Clean Water State Revolving Fund program for the District's wastewater improvement project. The project includes the upgrade of seven pump stations and the slip lining of an interceptor to remove infiltration/inflow.

We are hereby committing the amount of $2,500,000 to be issued at 0% interest, 0.5% annual administrative fee, for a term of 30 years. These funds are being provided through the base CWSRF program.

If the District's bonds have not been issued to the Fund prior to November 20, 2010, it is understood that the Fund reserves the right to discontinue processing the District's application and on that day, will have no further responsibilities or obligations hereunder. Should this deadline not be met, a separate letter must be sent to this office requesting a time extension with justification.

Should you have any questions, please do not hesitate to contact me at 304-926-0499, extension 1611, or John.M.Johnson@wv.gov .

Sincerely,

Mike Johnson, P.E.
Program Manager
Clean Water SRF Program

cc: Angela Chestnut, P. E. WVIJDC
Samme Gee, Jackson & Kelly
E. L. Robinson, Inc.
Public Service Commission

Promoting a healthy environment.

STATE OF WEST VIRGINIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
DIVISION OF WATER AND WASTE MANAGEMENT
601 57TH STREET SE
CHARLESTON, WV 25304-2345

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
WATER POLLUTION CONTROL PERMIT

NPDES PERMIT NO.: WV0080403
SUBJECT: Sewage

ISSUE DATE: May 31, 2009
EFFECTIVE DATE : June 30, 2009
EXPIRATION DATE: May 30, 2014
SUPERSEDES: Permit No. WV0080403 dated January 25, 2006

LOCATION:	BEAVER	Raleigh	Lower New River
	(City)	**(County)**	**(Drainage Basin)**

See the next page for a list of Outlets.

TO WHOM IT MAY CONCERN:

This is to certify that: SHADY SPRING PSD
PO BOX 235
BEAVER, WV 25813

is hereby granted a West Virginia NPDES Water Pollution Control Permit to:
operate and maintain an existing 1.2 million gallons per day (MGD) wastewater collection and an extended aeration wastewater treatment system, which is further described as follows:

The existing wastewater collection system is comprised of approximately 33,800 linear feet of six (6) inch diameter gravity sewer line, 391,000 linear feet of eight (8) inch diameter gravity sewer line, 6,000 linear feet of ten (10) inch diameter gravity sewer line, 15,600 linear feet of twelve (12) inch diameter gravity sewer line, 17,000 linear feet of fifteen (15) inch diameter gravity sewer line, 5,000 linear feet of eighteen (18) inch diameter gravity sewer line, 4,300 linear feet of twenty-one (21) inch diameter gravity sewer line, 2,375 manholes, 140 cleanouts, 18 lift stations, 11,000 linear feet of two (2) inch diameter force main line, 3,000 linear feet of three (3) inch diameter force main line, 8,400 linear feet of four (4) inch diameter force main line, 10,100 linear feet of six (6) inch diameter force main line, 3,200 linear feet of eight (8) inch diameter force main, 1,900 linear feet of ten (10) inch diameter force main line, and all requisite appurtenances.

The existing 1.2 MGD extended aeration wastewater treatment plant is comprised of a mechanical bar screen, grit removal unit, a 1,210,800 gallon aeration chamber, two (2) 433,400 gallon clarifiers, an 8,400 gallon post aeration chamber, an ultraviolet disinfection unit, a 150,000 gallon aerated sludge holding tank, a 1.5 meter sludge dewatering belt press, post lime sludge stabilization facilities, and all necessary appurtenances.

Facilities are to serve approximately 12,000 persons in the Shady Spring Public Service District and its environs, and discharge treated wastewater via Outlet No. 001 to Piney Creek (approximately 12.09 miles from its mouth) of the New River.

Also, to accept nondomestic wastewater from H.A.M. Landfill-IU05 for subsequent treatment and disposal.

This permit is subject to the following terms and conditions :
The information submitted on and with Permit Application No. WV0080403, dated the 31st day of March 2009,

additional information received on April 8, 2009, and information submitted on and with Permit Modification Application No. WV0080403-A, dated the 11th day of June 2007 are all hereby made terms and conditions of this Permit with like effect as if all such permit application information were set forth herein and with other conditions set forth in Sections A, B, C, D, E and Appendix A.

The validity of this permit is contingent upon the payment of the applicable annual permit fee, as required by Chapter 22, Article 11, Section 10 of the Code of West Virginia.

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 9/28/2010

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
CityInsurance Professionals
One Park Ave
P O Box 2316
Beckley WV 25801

CONTACT NAME: Betty Egich
PHONE (A/C, No, Ext): (304)255-1945 FAX (A/C, No): (304) 255-3623
E-MAIL ADDRESS: Betty.Egich@cityinsure.org
PRODUCER CUSTOMER ID #: 00033162

INSURED
Shady Spring Public Service District
P. O. Box 235
Beaver WV 25813

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Scottsdale Ins. Co.	
INSURER B: National Casualty	
INSURER C:	
INSURER D:	
INSURER E:	
INSURER F:	

COVERAGES CERTIFICATE NUMBER: 2010-2011 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC	X		PEI0005491	4/1/2010	4/1/2011	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 500,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$ 3,000,000
								$
A	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS			WAI0002118	4/1/2010	4/1/2011	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
							Medical payments	$ 5,000
							Underinsured motorist	$ 1,000,000
B	X UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DEDUCTIBLE X RETENTION $ 10,000			UMO0032576	4/1/2010	4/1/2011	EACH OCCURRENCE	$ 2,000,000
							AGGREGATE	$ 2,000,000
								$
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
WV Water Development Authority shall be listed as an Additional Insured under the General Liability Policy.

CERTIFICATE HOLDER

WV WATER DEVELOPMENT AUTHORITY
180 ASSOCIATION DRIVE
CHARLESTON, WV 25311

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Dianna Powell/BSE

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SHADY SPRING PUBLIC SERVICE DISTRICT

Resolution

A Resolution authorizing the construction and acquisition of certain sewage facilities of the Shady Spring Public Service District, Raleigh County, West Virginia, and the financing of the cost, not otherwise provided, thereof through the issuance by the District of not more than $3,200,000 in principal amount of Sewer Revenue Bonds, Series 1982; providing for the rights and remedies of and security for the holders of such Sewer Revenue Bonds, Series 1982; authorizing the sale of such bonds to the West Virginia Development Authority pursuant to the terms of a loan agreement between the District and said Authority and adopting other provisions relating thereto.

Be it Resolved by the Board of the Shady Spring Public Service District Raleigh County, West Virginia:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority of this Resolution. This Resolution is adopted pursuant to the provisions of Article 13A of Chapter 16 of the Code of West Virginia 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. Shady Spring Public Service District (the "District") was established by order of the County Commission of Raleigh County, West Virginia, dated

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the District that there be constructed, certain sewer facilities (the "Project") in the District, which along with the sewer facilities previously acquired or constructed by the District, if any, shall constitute public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the "System") at an estimated cost of $14,268,200.00 in accordance with the plans and specifications prepared by Holley, Kenney, Schott, Division of Babcock Contractors, Inc., of Pittsburgh, Pennsylvania, which plans and specifications have heretofore been filed in the office of the District.

C. The estimated revenues to be derived in each year after the adoption of this Resolution 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 Bond authorized to be issued pursuant to this Resolution and all Sinking Fund, Reserve Account and other payments provided for in this Resolution.

D. It is deemed necessary for the District to issue its Sewer Revenue Bonds in the principal amount of not more than $3,200,000, to finance costs of the construction and acquisition of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchise deemed necessary or convenient therefor and for the improvements and extensions thereto; interest upon the Bond prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprises; administrative expense; and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

E. It is in the best interests of the District that its Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement to be entered into between the District and the Authority (the form of which agreement is attached to this Resolution as Exhibit A, which Exhibit, by this reference, is incorporated herein and made a part hereof) (the "Loan Agreement").

Section 1.03. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the District and such Bondholders, and the covenants and agreements herein set forth to be performed by said District shall be for the equal benefit, protection and security of the legal holders of any and all of such Bonds issued hereunder and the coupons attached thereto, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and the coupons thereon and any other Bonds and the coupons thereon by reason of priority or issuance or otherwise, except as expressly provided therein and herein.

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

A. "Act" shall mean Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended and in effect on the date of adoption of this Resolution.

B. "Authority" shall mean the West Virginia Water Development Authority, which shall be the original purchaser of the Bonds authorized to be issued hereunder, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

C. "Board" shall mean the Public Service Board of the District which is the governing body of the District pursuant to the Act.

D. "Bonds" shall mean not in excess of the $3,200,000 Sewer Revenue Bonds, Series 1982, originally authorized to be ~~issued~~ pursuant to this Resolution, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution, and the interest coupons to said Bonds.

E. "Bondholder" or "Holder of the Bonds" or any similar term shall mean any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to the bearer or of any coupons representing interest accrued or to accrue on said Bonds.

F. "Chairman" shall mean the Chairman of the Board.

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

H. "Consulting Engineers" shall mean G. A. Tice, Incorporated, Beckley, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the District as Consulting Engineers for the System.

I. "Cost of Works" shall mean those costs described in Section 1.02 (D) hereof to be a part of the cost of construction and acquisition of the Project.

J. "District" shall mean the Shady Spring Public Service District, Raleigh County, West Virginia, and where appropriate the Board thereof.

K. "Fiscal Year" shall mean each twelve-month period beginning on July 1 and ending on the succeeding June 30.

L. "Independent Certified Public Accounts" shall mean the certified public accountant or firm of certified public accountants that is now or shall at any time hereafter be retained by the District 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.

M. "Net Revenues" shall mean the balance of the Gross Revenues as defined below, remaining after deduction only of Operating Expenses, as defined below.

N. "Operating Expenses" unless qualified, shall mean the current expenses, paid or accrued, of repair, operation and maintenance of the System and includes, without limiting the generality of the foregoing, insurance premiums, supplies, labor, wages, the cost of materials and supplied used for current operations, administrative expenses of the Board relating and chargeable to the System and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting practices.

O. "Project" shall mean the sewer facilities described in Exhibit "B" attached hereto.

P. "Revenues" or "Gross Revenues" shall mean all rates, rents, fees, charges or other income (including, without limitation, sale proceeds and interest or other income derived from the investment of the funds and accounts established hereunder) received by or accrued to the District from the operation of the System, as calculated in accordance with generally accepted accounting practices.

Q. "Secretary" shall mean the Secretary of the Board.

R. "Supplement Resolution" shall mean any resolution which is amendary or supplemental hereto.

S. "System" shall mean the complete public service properties of the District for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, in its entirety or any integral part thereof, and shall include any additions, betterments and improvements thereto hereafter constructed or acquired for said system from any sources whatsoever.

T. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition. There is hereby authorized the construction and acquisition of the Project described in Exhibit "B" hereto, plans and specifications for which have been prepared by the Consulting Engineers, and heretofore filed in the office of the Board. The proceeds of the Bonds hereby authorized shall be applied as provided in Article V of this Resolution.

ARTICLE III

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

~~Sectior~~ 3.01. Authorization and Terms of Bonds. For the purpose of financing the cost of construction and acquisition of the Project, there shall be issued negotiable Sewer Revenue Bonds, Series 1982; of the District, in the aggregate principal amount of not in excess of $3,200,000. Said bonds shall be designated "Sewer Revenue Bonds, Series 1982"; and shall bear interest at such rate or rates, not exceeding twelve per centum (12%) per annum, and shall mature as the District shall prescribe in the Supplemental Resolution. Interest on the Bonds shall be payable semi-annually on _____, 1982 and _____ in each year, commencing _____, 1982. The Bonds shall be payable as to both principal and interest at the office of the Commission or through a paying agent or agents selected by the original purchaser or purchasers thereof, in any coin or currency that is legal tender for the payment of public or private debts under the laws of the United States of America. The Bonds shall be redeemable in whole or in part in inverse order of maturities (by lot if less than all the Bonds of the same maturity) only on or after the date on which all outstanding bonds issued by the Authority to provide funds for the purchase of the Bonds are redeemable and at a price equal to the aggregate of (i) the corresponding principal amount of the Authority's bonds to be redeemed by the Authority as a consequence of the District's redemption of all or a part of its Bonds outstanding, (ii) the interest to accrue on the Authority's bonds so to be redeemed to the next redemption date thereof and not previously paid, (iii) the applicable premium, if any, payable on the Authority's bonds so to be redeemed, (iv) the applicable premium, if any, payable on additional bonds of the Authority which also become redeemable by virtue of such redemption, (v) the costs and expenses of the Authority in effecting redemption of the Authority's bonds so to be redeemed, and (vi) at the direction of the Authority, an amount equal to the proportionate amount of the additional bonds of the Authority so to be redeemed, if any, less other moneys of the Authority available therefor; provided, however, that in the event the Authority's bonds have been refunded and the refunding bonds were issued by the Authority in a principal amount in excess of or less than such Bonds remaining unpaid at the date of issuance of such refunding bonds, the District shall be obligated to provide under item (1) above, the interest the Authority is required to pay on said refunding bonds is less than the Authority was required to pay on its bonds, the District shall be obligated to pay under item (ii) above the amount of interest to accrue on such outstanding refunding bonds of the Authority.

The Bonds shall be issued in the form of coupon Bonds, registrable as to principal only, or in the form of one fully registered Bond with payment record attached (the "Registered Bond").

Coupon Bonds shall be in the denomination of $5,000 each and shall be dated as of the date which is six months preceeding the first interest payment date specified above. Coupon Bonds shall bear interest from their date payable in accordance with, and upon surrender of, the appurtenant interest coupons as they severally mature. The Registered Bond shall be dated as of the date of its delivery to the original purchaser thereof and shall bear interest from such date.

Except as otherwise provided in Section 3.04, before the delivery of any coupon Bonds, all matured coupons thereto attached, except matured coupons for which payment in full has not been provided, shall be cut off, cancelled and destroyed; provided, however, that if coupon Bonds are issued in exchange for the Registered Bond upon which interest is in default, as shown by the records of the Treasurer of the State, such coupon Bonds shall have attached thereto all coupons maturing after the date to which interest has been paid in full, as shown by such records, and in case any interest installments shall have been paid in part, appropriate notation shall be made on the coupons to evidence such fact.

Section 3.02. Execution of Bonds and Coupons. Said Bonds shall be executed in the name of the District by the Chairman, and the seal of the District shall be affixed thereto 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 District 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 District by such persons as at the actual time of the execution of such Bonds shall hold the proper office in the District, although at the date of such Bonds such persons may not have held such office or may not have been so authorized.

The coupons to be attached to the Bonds shall be authenticated with the facsimile signature of the present or future Chairman and Secretary of the District, and the District may adopt and use for this purpose a facsimile seal.

Section 3.03. Negotiability, Transfer and Registration. 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 or the coupons appertaining thereto, 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 Treasurer of the State of West Virginia shall keep and maintain books for the registration and transfer of the Bonds. Coupon Bonds may be registered at the option of the Holder as to principal only at the office of the Treasurer of the State of West Virginia, such registration to be noted on the back of said Bonds in the space provided therefor. After such registration as to principal only, no transfer of the Bonds shall be valid unless made at said office by the registered owner, or by his duly authorized agent or representative, and similarly noted on the Bonds, but the Bonds may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored. At the option of the Holder the Bonds may thereafter again from time to time be registered or transferred as before. Such registration as to principal shall not affect the negotiability of the coupons, which shall continue to pass by delivery.

The Registered Bond shall be transferable only upon the books of the District, which shall be kept for the purpose at the office of the aforesaid Treasurer, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Treasurer of the State duly executed by the registered owner or his duly authorized attorney. Upon transfer of the Registered Bond, there shall be issued in the name of the transferee, coupon Bonds, with appropriate coupons attached, of the same aggregate principal amount equal to the unpaid principal amount of the Registered Bond, and having maturities corresponding to the principal installments of such Registered Bond then unpaid.

In all cases in which the privilege of exchanging Bonds or transferring the Registered Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds and coupons surrendered in any such exchanges or transfers shall forthwith be cancelled by the said Treasurer. For every such exchange or transfer of Bonds, the Treasurer 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 trasnfer and the cost of preparing each new coupon Bond upon each exchange or transfer, and any other expenses of the said Treasurer incurred in connection therewith, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer; provided, however, that in the event the Authority is the Bondholder requesting such exchange or transfer, the District shall pay all such taxes, fees, governmental charges or other expenses incurred in making such exchange or transfer. The Treasurer shall not be obliged to make any such exchange or transfer of Bonds during the ten (10) days preceding an interest payment date on the Bonds, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed.

Section 3.04. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may at its discretion issue and deliver a new Bond with all unmatured coupons, if any, so mutilated, destroyed, stolen or lost in exchange and substitution

for such mutilated Bond upon surrender and cancellation of such mutilated Bond, and attached coupons, if any, or in lieu of and substitution for the Bond and coupons, if any, destroyed, stolen or lost and upon the Holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may prescribe and paying such expenses as the District may incur. All Bonds and coupons so surrendered shall be cancelled by the Secretary and held for the account of the District. If such Bond or coupons shall have matured or be about to mature, instead of issuing a substitute Bond or coupon, the District may pay the same, upon being indemnified as aforesaid, and if such Bond or coupons be lost, stolen, or destroyed, without surrender therefor.

Any such duplicate Bond and coupons issued pursuant to this section shall constitute original, additional contractual obligations on the part of the District, whether or not the lost, stolen or destroyed Bond or coupons be at any time found by any one, and such duplicate Bond and coupons shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other Bonds and coupons issued hereunder.

Section 3.05. Form of Bonds and Coupons. The text of the Bonds, and of the coupons, shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution, or any subsequent resolution or ordinance adopted prior to the issuance thereof.

[Form of Coupon Bonds]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF RALEIGH

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES

No._____ $5,000.00

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, public corporation, organized and existing under the laws of the State of West Virginia (the "District"), for value received, hereby promise to pay, solely from the special funds provided therefor, as hereinafter set forth, to the bearer or, if this Bond be registered as to principal to the registered holder hereof, on the first day of_____, the sum of Five Thousand Dollars ($5,000.00) and solely from such special funds also to pay interest on said sum from the date hereof at the rate of _____ per centum(_____%) per annum semiannually, on the first day of_____ and the first day of_____, in each year beginning,_____ all such interest as may accrue on and prior to the maturity date hereof to be

payable only upon presentation and surrender of the annexed coupons as they severally become due, both principal of, and interest on, this Bond being payable in any coin or currency which, on the respective dates of payment of principal and interest, 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, or at the option of the holder at the _____. This Bond is subject to redemption prior to its stated date of maturity as follows: in whole or in part in inverse order of maturities (by lot if less than all the Bonds of the same maturity) only on or after the date on which all outstanding bonds issued by the Authority to provide funds for the purchase of the Bonds of the issue of which this Bond is one are redeemable and at a price equal to the aggregate of (i) the corresponding principal amount of the Authority's bonds to be redeemed by the Authority as a consequence of the District's redemption of all or a part of its Bonds outstanding, (ii) the interest to accrue on the Authority's bonds so to be redeemed to the next redemption date thereof and not previously paid, (iii) the applicable premium, if any, payable on the Authority's bonds so to be redeemed, (iv) the applicable premium, if any, payable on additional bonds of the Authority which also become redeemable by virtue of such redemption, (v) the costs and expenses of the Authority in effecting redemption of the Authority's bonds so to be redeemed, and (vi) at the direction of the Authority, an amount equal to the proportionate amount of the additional bonds of the Authority so to be redeemed, if any, less other moneys of the Authority available therefor; provided, however, that in the event the Authority's bonds have been refunded and the refunding bonds were issued by the Authority in a principal amount in excess of or less than such bonds remaining unpaid at the date of issuance of such refunding bonds, the District shall be obligated to pay under item (1) above the principal amount of such refunding bonds outstanding, and, in the event the interest the Authority is required to pay on said refunding bonds is less than the Authority was required to pay on its bonds, the District shall be obligated to pay under item (ii) above the amount of interest to accrue on such outstanding refunding bonds of the Authority.

This Bond is one of an authorized issue of Bonds, in the aggregate principal amount of $_____, or like date and of like tenor and effect, except as to principal amount, number, date of maturity, and interest rate, issued to finance the cost of construction and acquisition of certain public service facilities of the District for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes in the District (the "System"), under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Board of the District on the_____day of November,_____(the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

The Bonds authorized by said Resolution are payable only from and secured by the net revenues to be derived from the operation of the sewage system of the District, which 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 District within the meaning of any constitutional or statutory provisions or limitations, nor shall said District be obligated to pay the same or the interest thereon except from said special fund provided from the next revenues from the operation of said System. By the Resolution, the District has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide gross revenues which will be able to pay for the reasonable expenses of operation, repair and maintenance of said System and leave a balance each year equal to at least 130% of the amount required during such year to pay the maximum amount due in any ensuing year of principal of and interest on all obligations payable from such revenues. The District has entered into certain further covenants with the holders of the Bonds for the terms of which reference is made to said Resolution. Remedies provided the holders of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is fully negotiable but may be registered as to principal only in the name of the holder on the books in the office of the Treasurer of the State of West Virginia, at Charleston, West Virginia, such registration to be evidenced by notation on the back hereof by the Treasurer, after which no transfer shall be valid unless made on said books and similarly noted hereon, but it may be discharged from such registration by being transferred to bearer, after which it shall be transferable by delivery, but it may be registered again as before. The registration of this Bond as to principal shall not restrain the negotiability of the coupons by delivery merely.

This Bond shall be exempt from all taxation by the State of West Virginia and any county or municipality therein.

All money received from the sale of this Bond or other Bonds of the issue of which this Bond is one, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the cost of additions, betterments and improvements described in the Resolution, including payment of any indebtedness incurred by the District for such purposes, which is required to be paid from the moneys received from the sale of such Bonds, or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the holder or holders of said Bonds.

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 said District, does not exceed any

limitprescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System of said District has been pledged to and will be set aside into said special fund by said District for the prompt payment of the principal of and interest on the Bonds.

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

IN WITNESS WHEREOF, the said The District has caused this Bond to be signed by the Chairman of the Board, attested by its Secretary and its corporate seal to be hereunto affixed, and the coupons hereto attached to be executed with the facsimile signatures of said Chairman and Secretary, which officials by the execution of this Bond to adopt as their owner proper signatures their facsimile signatures appearing on said coupons, and this Bond, all as of the first day of_____, 1982.

_____
Chairman

ATTEST:

_____
Secretary

[FORM OF COUPON]

No._____ $_____

On the first day of_____, 1982, the SHADY SPRING PUBLIC SERVICE DISTRICT, Raleigh County, West Virginia, pay to bearer upon presentation of and surrender of this coupon, the sum shown hereon, out of the special fund provided therefor, at the office of the West Virginia Municipal Bond Commission or, at the option of, the holder hereof, at the_____, paid payment to be made in any coin or currency which on said date of payment is legal tender for the payment of public and private debts under the laws of the United States of America, as provided in, and for interest then due on, the Sewer Revenue Bond, Series 1982, dated_____, 1982, to which this coupon is attached.

_____
Chairman

_____
Secretary

_____

[No writing on this Bond except by the Treasurer of the State of West Virginia as Registrar]

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF REGISTRAR

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF RALEIGH
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1982

No._____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation, organized and existing under the laws of the State of West Virginia (the "District") for value received, hereby promise to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, (the "Payee"), or its registered assigns (the "Alternate Payee"), the sum of $_____, in installments on_____of each year as set forth below, with interest on each installment at the rate per annum set forth below opposite the year in which the installment becomes due:

YEAR	INSTALLMENT	INTEREST RATE

The interest rate on each installment shall run from the original date of delivery of this Bond to the Payee and payment therefor and until payment of such installment, and such interest shall be payable on the first day of_____and the first day of_____in each year beginning _____. Both principal of and interest on this Bond are payable in any coin or currency which, on the respective dates of payment of principal and interest, 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, or at the option of the Payee at the_____. This Bond is subject to redemption prior to its stated date of maturity as follows: in whole or in part in inverse order of maturities only on or after the date on which all outstanding bonds issued by the Authority to provide funds for the purchase of this Bond are redeemable and at a price equal to the aggregate of (i) the corresponding principal amount of the Authority's bonds to be redeemed by the Authority as a consequence of the District's redemption of all or a part of its Bond outstanding, (ii) the interest to accrue on the Authority's bonds so to be redeemed to the next redemption date thereof and not previously paid, (iii) the applicable premium, if any, payable on the Authority's bonds so to be redeemed, (iv) the applicable premium, if any, payable on additional bonds of the Authority which also become redeemable by virtue of such redemption, (v) the costs and expenses of

the Authority in effecting redemption of the Authority's bonds so to be redeemed, and (vi) at the direction of the Authority, an amount equal to the proportionate amount of the additional bonds of the Authority so to be redeemed, if any, less other moneys of the Authority available therefor; provided, however, that in the event the Authority's bonds have been received and the refunding bonds are issued by the Authority in a principal amount in excess of or less than such bonds remaining unpaid at the date of issuance of such refunding bonds, the District shall be obligated to pay under item (i) above the principal amount of such refunding bonds outstanding, and, in the event the interest the Authority is required to pay on said refunding bonds is less than the Authority was required to pay on its bonds, the District shall be obligated to pay under item (ii) above the amount of interest to accrue on such outstanding bonds of the Authority.

This Bond is issued to finance the cost of construction and acquisition of certain public service facilities of the District for the collection, treatment, purification or disposal of liquid or solid wastes in the District (the "System"), under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Board of the District on the_____day of_____, 198____, (the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

The Bonds authorized by said Resolution are payable only from and secured by the net revenues to be derived from the operation of the sewage system of the District, which 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 District within the meaning of any constitutional or statutory provisions or limitations, nor shall said District be obligated to pay the same or the interest thereon except from said special fund provided from the net revenues from the operation of said System. By the Resolution, the District has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide gross revenues which are able to pay for the reasonable expenses of operation, repair and maintenance of said System and leave a balance each year equal to at least 130% of the amount required during such year to pay the maximum amount due in any ensuing year of principal of and interest on all obligations payable from such revenues. The District has entered into certain further covenants with the holders of the Bonds for the terms of which reference is made to said Resolution. Remedies provided the holders of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of the District kept for that purpose at the office of the Treasurer of the State of West Virginia, by the Payee, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Treasurer of the State of West Virginia, duly executed by the Payee or its attorney duly authorized in writing. Upon transfer of this Bond, there shall be issued in the name of the transferee coupon Bonds, with appropriate coupons attached, of the same aggregate principal amount equal to the unpaid principal amount of this Bond, and having maturities corresponding to the principal installments of this Bond then unpaid.

This Bond shall be exempt from all taxation by the State of West Virginia and any county or municipality therein.

All money received from the sale of this Bond or other Bonds of the issue of which this Bond is one, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the cost of additions, betterments and improvements described in the Resolution, including payment of any indebtedness incurred by the District for such purposes which is required to be paid from the moneys received from the sale of such Bonds, or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the holder or holders of said Bonds.

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 said District, 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 of said District has been pledged to and will be set aside into said special fund by said District for the prompt payment of the principal of and interest on the Bonds.

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

IN WITNESS WHEREOF, the said Shady Spring Public Service District has caused this Bond to be signed by the Chairman of the Board attested by its Secretary and its corporate seal to be hereunto affixed, all as of the_____ day of_____, 1982.

_____
Chairman

ATTEST:

_____
Secretary

[FORM OF PAYMENT RECORD]

PAYMENT RECORD

DUE DATE	PRINCIPAL PAYMENT	PRINCIPAL BALANCE DUE AFTER PAYMENT	INTEREST PAYMENT (_____%)	DATE PAID	NAME OF PAYING AGENT AUTHORIZED OFFICER AND TITLE
	$	$	$		

SCHEDULE "A"

Principal installments on which payments have been paid prior to maturity

DATE	PRINCIPAL DUE AMOUNT	PRINCIPAL PAYMENT	BALANCE	DATE PAID	NAME OF PAYING AGENT AUTHORIZED OFFICER AND TITLE
	$	$	$		

[FORM OF ASSIGNMENT]

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

the within Bond of the SHADY SPRING PUBLIC SERVICE DISTRICT and does hereby irrevocably constitute and appoint_____, Attorney to transfer the said Bond on the books of the within named Public Service District with full power of substitution in the premises.

Dated:

_____

In the Presence of:

_____

3.06. Sale of Bonds; Execution of Loan Agreement with Authority. The Bonds shall be sold to the West Virginia Water Development Authority, Charleston, West Virginia, at a price not less than 96.5 percent of the aggregate principal amount thereof, pursuant to the terms and conditions of the Loan Agreement to be entered into between the District and the Authority, all of the provisions of which are hereby ratified and confirmed herein and made a part hereof. The Chairman is specifically authorized and directed to execute the Loan Agreement in substantially the form of Exhibit "A", the Secretary is directed to affix the seal of the District, attest the same and deliver the Loan Agreement to the Authority.

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. System Revenues and Application Thereof. So long as any of the Bonds shall be outstanding and unpaid, the District covenants with the Holders of the Bonds as follows:

A. Establishment of System Revenue Fund and Disposition of System Revenues. The entire gross revenues derived from the operation of the System and all parts thereof shall be deposited by the District in a special fund in a bank in the State of West Virginia which is eligible under the laws of West Virginia to receive deposits of state and municipal funds, which fund (herein called the "Revenue Fund") is hereby established. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner herein provided. All revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The District shall first each month, from the moneys in the Revenue Fund, pay all reasonable operating expenses of the System.

(2) Thereafter, from the moneys in the Revenue Fund, the District shall, on the first day of each month, commencing with and including the month of_____, 198____, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in a fund to be known as the "Sinking Fund", which is hereby created and established, a sum equal to one-sixth (1/6) of the amount of interest which will become due on said Bonds on the next ensuing semiannual interest payment date: Provided, however, that in the event that the period to elapse between said initial payment date the next semiannual interest payment date is less than six (6) months, then such monthly payments shall be increased proportionately to provide the required amount of interest maturing on the next semiannual interest payment date.

The District shall also, from the Revenue Fund, remit to the Commission, on such dates or at such other times as the Commission shall require, such additional sums as shall be necessary to pay the fiscal agency charges due for paying the Bonds and the interest thereon.

The District shall also apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in said Sinking Fund, on the first day of each month, beginning on the first day of that month which is twelve (12) months prior to the first principal payment date of said Bonds, a sum equal to one-twelth (1/12) of the amount of principal which will mature and become due on said Bonds on the next ensuing principal payment date.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from said Revenue Fund and from the proceeds of the sale of the Bonds as provided in Article V hereof by the District at the times provided herein.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due.

The District shall next, from the Revenue Fund, remit to the Commission for deposit in a Reserve Account in said Sinking Fund, on the first day of each month of each year, beginning with and including the month in which payments from the Revenue Fund for semi-annual interest are commenced, an amount equal to twenty per centum (20%) of all amounts required to be deposited for maturing principal and interest into said Sinking Fund, as provided above, on said dates: Provided, however, that no further payments shall be made into said Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the maximum amount of principal and interest that will mature and become due on said Bonds in any succeeding fiscal year.

Moneys in the Reserve Account shall be used only for the purpose of payment of maturing principal of or interest on the Bonds when other moneys in the Sinking Fund are insufficient therefore and for no other purpose.

Any withdrawals from the Reserve Account shall be subsequently restored from the first avenue available after all required payments to the Sinking Fund and Reserve Account, including any deficiencies for prior payments, have been made in full.

The District shall not be required to make any further payments into said Sinking Fund or into the Reserve Account in said Sinking Fund when the aggregate amount of funds in both said Sinking Fund and said Reserve Account are at least equal to the aggregate principal amount of Bonds issued pursuant to this Resolution then outstanding, plus the amount of interest due or thereafter to become due on said Bonds then outstanding.

As and when additional bonds ranking on a parity with the Bonds herein authorized are issued, provision shall be made for additional payments into said 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 Reserve Account in said Sinking Fund in an amount equal to the maximum provided and required to be paid into the Sinking Fund in any calendar year for account of all the Bonds, including such additional bonds which by their terms are payable from said Sinking Fund.

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

Said Sinking Fund shall be used solely and only and is hereby pledged for the purpose of servicing the Bonds and any additional bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions hereinafter set forth.

(3) Thereafter, from the moneys remaining in said Revenue Fund, the District shall next, on the first day of each month commencing with the first month in which interest shall be first payable from the Revenue Fund, remit to a bank which is eligible under the laws West Virginia to receive deposits of public funds for deposit in a special account to be designated "Renewal and Replacement Fund," which account is hereby established and created, a sum equal to two and one-half per centum (2-1/2%) of the gross revenues each month, exclusive of any payments for account of the Reserve Account in the Sinking Fund. All funds in said Renewal and Replacement Fund shall be kept apart from all other municipal funds, and all or any part of said fund may be invested in bonds or other direct or fully guaranteed obligations of the United States of America maturing or being subject to retirement at the option of the holder within not more than ten (10) years from the date of such investment. Withdrawals and disbursements may be made from said Renewal and Replacement Fund for replacements, emergency repairs, additions, betterments or improvements to the System; provided, however, that any deficiency in the Reserve Account (except to the extent such deficiency exists because the required payments into such Account have not as of the date of determination of a deficiency funded such Account to the maximum extent required by Section 4.01 (A)(2), shall be promptly eliminated with moneys from the Renewal and Replacement Fund in amounts sufficient to eliminate such deficiency.

(4) Whenever all of the required and provided transfers and payments from said 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 for operating expenses and into the Sinking Fund and the Renewal and Replacement Fund during the next succeeding three (3) months, such excess shall be considered as surplus revenues. Said surplus revenues shall be first used for the construction and acquisition of improvements and extensions to the System, and, thereafter, to the extent not needed for such purposes, said surplus revenues and any surplus moneys in the Sinking Fund, exclusive of the Reserve Account, in excess of the amount of interest to become due on the next interest payment date and the amount of principal to become due within the next succeeding twelve (12) months, may be used to purchase Bonds upon the open market at a price not exceeding the par value thereof plus three per centum (3%) of such par value, or to redeem Bonds at a price not in excess of the redemption price thereof, or for debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such additions, betterments or improvements.

(5) The moneys in excess of the sum insured by the maximum amounts insured by the Federal Deposit Insurance Corporation in the Revenue Fund and for the Renewal and Replacement Fund (unless remitted to the Commission) shall at all times be secured, to the full extent thereof in excess of such insured sum, by direct obligations of the United States of America or such other obligation as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia.

(6) If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds 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 on the subsequent payment dates.

(7) Moneys in the Reserve Account shall be invested and reinvested by the Commission in direct obligations of the United States of America having maturities not longer than five (5) years from the date of purchase.

(8) All remittances made by the District to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

ARTICLE V

APPLICATION OF BOND PROCEEDS

Section 5.01. Construction Trust Fund. From the moneys received from the sale of any or all of the Bonds authorized and issued pursuant to this Resolution, the following amounts shall be first deducted and deposited:

. All accrued interest received from the purchaser of said Bonds shall be deposited in the Sinking Fund and used to pay the next maturing interest on the Bonds.

B. The remaining moneys derived from the sale of said Bonds shall be deposited by the District in a special bank account in a fund to be known as the "Construction Trust Fund," which is hereby created, which fund shall be kept separate and apart from all other funds of the District and shall be drawn out, used and applied by the District solely for the payments of the cost of the construction and acquisition of the Project, and purposes incidental thereto, and for no other purposes whatsoever. The moneys in said fund shall be secured at all times by the deposit of such bonds in a direct obligations of the United States of America having a fair market value at least equal to the balance in excess of $100,000 in said fund. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to, such purposes, then such unapplied proceeds shall be deposited by the District in the Sinking Fund established pursuant to this Resolution and shall be used only as provided herein. All such proceeds shall be and constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Bonds herein authorized.

Expenditures or disbursements from said Construction Trust Fund, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Bonds shall be made only after such expenditures or disbursements shall have been approved in writing by the Consulting Engineers.

ARTICLE VI

ADDITIONAL COVENANTS OF THE DISTRICT

Section 6.01. General Covenants of the District. All the covenants, agreements and provisions of this Resolution shall be and constitute a valid and legally binding covenants of the District and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of said Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the District hereby covenants and agrees with the Holders, of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon are outstanding and unpaid.

Section 6.02. Bonds Not To Be Indebtedness of the District. Neither the Bonds nor coupons appertaining thereto shall be or constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the revenues of the System, as herein provided.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the new revenues derived from the operation of the System, to the extent necessary to make the payments required under Section 4.01 of this Resolution. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and to make the payments into the Sinking Fund, including the Reserve Account therein, and all other payments provided for in this Resolution are hereby irrevocably pledged, in the manner provided in this Resolution, to the payment of the principal of and interest on the Bonds herein authorized as the same become due, and for the other purposes provided in this Resolution.

Section 6.04. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of a service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file in the office of the Board, each of 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 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 District hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient to provide gross revenues which will be able to pay for all reasonable expenses of operation, repair and maintenance of the System and leave a balance each year equal to at least 130% of the maximum amount required in any ensuing year to pay the interest and principal as the same becomes due and accomplish retirement of all obligations for the payment of which such revenues have or shall have been pledged, charged or otherwise encumbered.

Section 6. . Completion, Operation and Maintenance. The District will use its best efforts to expeditiously complete and maintain in good condition said System and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Section 6.06. 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 outstanding. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Sinking Fund, and, in the event the Authority is no longer a Bondholder, the District shall direct the Commission to apply such proceeds to the payment of principal and interest at maturity of Bonds about to mature. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the District by the Commission unless necessary for the payment of other obligations of the District payable out of the revenues of the System.

The foregoing provision notwithstanding, unless otherwise prohibited by law, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of Ten Thousand Dollars ($10,000.00), the Board shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the Amount to bereceived from such sale, lease or other disposition of said property shall be in excess of Ten Thousand Dollars ($10,000.00) but not in excess of Fifty Thousand Dollars ($50,000), the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and then authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived for any such sale, lease or other disposition of such property, in excess of $10,000 and not in excess of $50,000, shall be remitted by the District 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 three per centum (3%) of such par value. Such payments 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 Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of $50,000 and insufficient to pay all the Bonds then outstanding without the prior approval and consent in writing of the Holders, or their duly authorized

representatives, of sixty-six and two-thirds per centum (66-2/3%) in amount of Bonds then outstanding. The District 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 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever, except pari passu additional bonds provided for in Section 6.08 hereof, 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; and all obligations hereafter issued by the District 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 the lien on and source of and security for payment from revenues and in all other respects, to the Bonds; provided, however, that no such subordinate obligations shall be issued unless the Reserve Account in the Sinking Fund is funded to the extent that no further payments are required thereto as provided in Section 4.01 (A)(2).

The District 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 Resolution, or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. No additional parity bonds, as in this section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to the Resolution, except under the conditions and in the manner herein provided.

No such additional parity bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of additions, betterments and improvements to the System or refunding the entirety of one or more series of Bonds issued pursuant hereto, or both such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Board a written statement by a certified public accountant not in the regular employ of the District, 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 twelve (12) consecutive months, within the eighteen (18) months immediately proceding the date of the actual issuance of such additional parity bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional parity bonds, shall not be less than one hundred thirty per centum (130%) 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 originally issued pursuant to the Resolution then outstanding;

(2) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then outstanding; and

(3) The additional parity bonds then proposed to be issued.

The "estimated average increased annual net revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from (a) the improvements to be financed by such additional parity bonds and (b) any increase in rates approved by the Public Service Commission of West Virginia prior to the date of delivery of such additional 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 Board prior to the issuance of such additional parity bonds.

The net revenues actually derived from the System during the twelve-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 certified public accountant as stated in a certificate jointly made and signed by the Consulting Engineers and said certified public accountant, on account of increased rates, rentals, fees and charges for the System approved by the Public Service Commission of West Virginia prior to issuance of such additional parity bonds.

Not later than simultaneously with the delivery of such additional parity bonds, the District shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements to the System that are to be financed by such additional parity bonds.

The term "additional parity bonds" as used in this Section, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section, payable from the revenues of the System on a parity with the Sewer Revenue Bonds, Series 1982 and all the covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Sewer Revenue Bonds, Series 1978, and the holders of any additional parity bonds subsequently issued from time to time within the limitations of and in compliance with this section. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any bond or coupon over any other. The Commission shall comply fully with all the increased payments into the various funds created in the Resolution required for and on account of such additional bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution.

All additional parity bonds shall mature [illegible] years of maturities, and the semiannual interest thereon shall be payble [illegible] of each year.

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

No additional parity bonds, as in this section defined, shall be created at any time, however, unless all the payment into the respective funds and accounts provided for in the Resolution on the Bonds then outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of delivery of the additional bonds and the District shall then be in full compliance with all the covenants, agreements and terms of the Resolution.

Notwithstanding any of the foregoing provisions, with the written consent in advance of the Authority and upon compliance with the terms, limitations and conditions contained in the Resolution, pari passu additional Bonds may be authorized and issued by the District pursuant to supplemental resolution solely to complete the Project in accordance with the plans and specifications therefor now on file with the Board in the event that the Bonds issued hereunder should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction and acquisition of the Project, provided, however, that, prior to the issuance of such pari passu additional bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Board a statement to the effect that additional funds are needed and are adequate for such purpose. All such pari passu additional bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project and the maturities of any such pari passu additional bonds shall be in years and amounts suggested by the Authority.

Section 6.09. Insurance. The District shall carry, with a reputable insurance carrier, such insurance as is customarily carried with respect to works and properties similar to the System, against loss or damge by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks, which insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System. In time of war, the District shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be 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 District will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works

and properties similar to the System.

Section 1.10. Services Rendered to the District. The District will not render or cause to be rendered any free services of any nature by its System; and in the event the District or any officer or employee of the District 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 District and any other such officer or employee.

Section 6.11. Remedies and Appointment of Receiver. Any Bondholder may, by proper legal action, compel the performance of the duties of the District under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, at the specified date of maturity thereof, or otherwise, in the performance of any covenant contained in this Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the District of shch default, any Bondholder shall, in addition to all other remedies or rights, including, but not limited to, the right of foreclosure provided in the Act, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and interest coupons, the deposits into the funds and accounts hereby established as herein provided and the payment of operating expenses of the System, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien, or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the Court to that effect. Upon any subsequent default, any Holder of Bonds issued pursuant to this Resolution shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and Holders of Bonds issued pursuant to this Resolution. 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 District and Bondholder, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Section 6.12. Enforcement of Collections. The District will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West virginia. All such fees, rates and charges, if not paid when due, shall become a lien on the premises served by the System. When such fees, rates and charges have been delinquent for thirty (30) days, the District shall have the power to forthwith foreclose the lien on the premises served in the manner provided for the foreclosure of mortgages on real property by the laws of West Virginia.

Whenever any rates, rentals or charges for services or facilities of the System shall remain unpaid for a period of thirty days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. The District further covenants and agrees that in the event itowns a waterworks system (the "Water System"), 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 and facilities of the System and the Water System to all delinquent users of services and facilities of the System and will not restore such services of either System until all delinquent charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 6.13. No Competing Franchise. The District will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services that would compete with services provided by the System.

Section 6.14. Books and Records. The Board will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The accounting system for the System shall follow currently accepted accounting practices and safeguards. Separate control accounting records shall be maintained by the District. 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 Board. The Board 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 Board shall be reported to such agent of the District as the Board shall direct.

The District shall file with the Consulting Engineers and the Authority and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

A. A statement of gross revenues, operating expenses and net revenues derived from the System.

B. A balance sheet statement showing all deposits in all the funds provided for in this Resolution and the status of all said funds.

The District shall also, at least once a year, cause the books, records and accounts of the System to be audited by a certified public accountant and shall mail upon request, and make available generally, the report of said certified public accountant, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Authority.

Section 6.15. Reserved.

Section 6.16. Operating Budget. The Board shall annually, at least thirty (30) days preceding the beginning of each fiscal year, prepare and adopt by resolution a detailed 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 Board shall have unanimously authorized the same. The Board shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to any Bondholder who shall file his address with the Board and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Bondholder or anyone acting for and in behalf of such Bondholder.

Section 6.17. Mandatory Connections. The mandatory use of the sewer facilities of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare and the economy of the inhabitants of the District and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant and occupant of every lot, parcel and tract of land that abuts on a street, alley, or other public way in which any sewer line, main or facility is located, or which is located within a reasonable distance thereof, not exceeding 300 feet, and is reasonably accessible thereto, and upon which lot, parcel or tract a building or other habitable structure has been or shall be erected for residential, commercial or industrial use, shall connect the waste or sewage lines of such building or structure with the facilities of the System if sewage will flow by gravity from such building or structure into the facilities of the System and shall thereupon and thereafter refrain from using and shall cease to use any other method for the disposal of sewage or water-borne waste matter and shall pay all charges, fees and rates lawfully provided for use of the sewer facilities.

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Modification or Amendment. No material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto that would materially and adversely affect the rights of Bondholders shall be made without the consent in writing of the Holders of two-thirds (2/3) or more in principal amount of the Bonds then outstanding; provided, however, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the District to pay such principal and interest out of the net revenues of the System without the consent of the Holder thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above permitted amendments or modifications.

Section 7.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

Section 7.03. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, in conflict with this Resolution are to the extent of such conflict repealed.

Section 7.04. Covenant of Due Procedure, Etc. The District 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 final enactment and passage 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 Board were at all times when any actions in connection with this Resolution occurred, and are, duly in office and duly qualified for such offices.

Section 7.05. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds and coupons the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the District to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or coupons or interest installments for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the paying agent at the same or earlier times, shall be sufficient, to pay as and when due the principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds and all coupons appertaining to such 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 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 Commission at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on said Bonds on and prior to the maturity dates thereof, as the case may be. 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 of and interest on said Bonds; provided, that any cash received from such principal and interest payments on such securities deposited with the Commission, 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 of and interest to become due and said Bonds on

and prior to such maturity dates thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Commission, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only obligations of, or obligations guaranteed by, the United States of America.

Section 7.06. Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code, and the Chairman of the Board shall deliver his certificate, based upon this covenant, with regard thereto to the Authority.

Section 7.07. Effective Date. This Resolution shall take effect upon passage, in the manner prescribed by law; provided, however, that the Bonds shall not be delivered to the Authority until the West Virginia Public Service Commission has given its approval of the sale of the Bonds thereto.

SHADY SPRING PUBLIC SERVICE DISTRICT

CERTIFICATION

The UNDERSIGNED, Chairman and Secretary of the Shady Spring Public Service District hereby certify that the foregoing RESOLUTION with exhibits attached was unanimously adopted at the regular meeting of the Public Service Board on June 3, 1982, duly called, a quorum present and all members voting in favor thereof.

SHADY SPRING PUBLIC SERVICE DISTRICT

By _____ (SEAL)
Its Chairman

ATTEST:

_____
Secretary

(SEAL)

SHADY SPRING PUBLIC SERVICE DISTRICT

Amendatory and Supplemental Resolution

A Resolution amending, supplementing, ratifying and confirming a resolution entitled "A Resolution authorizing the construction and acquisition of certain sewage facilities of the Shady Spring Public Service District, Raleigh County, West Virginia, and the financing of the cost, not otherwise provided, thereof through the issuance by the District of not more than $3,200.000 in principal amount of Sewer Revenue Bonds, Series 1982; providing for the rights and remedies of and security for the holders of such Sewer Revenue Bonds, Series 1982; authorizing the sale of such bonds to the West Virginia Development Authority pursuant to the terms of a loan agreement between the District and said Authority and adopting other provisions relating thereto." adopted by the Public Service District Board of the Shady Spring Public Service District on June 3, 1982, authorizing the issuance of not more than $2,680,000 in principal amount of Sewer Revenue Bonds and not more than $795,515 of Subordinate Sewer Revenue Bonds, directing the sale of such Sewer Revenue Bonds to the West Virginia Water Development Authority pursuant to the terms of a Loan Agreement dated June 3, 1982, between the Water Development Authority and the Shady Spring Public Service District, setting forth certain terms and conditions of such Sewer Revenue Bonds, Series 1982 and such Subordinate Sewer Revenue Bonds, Series 1982, in accordance with said Loan Agreement, providing for certain other matters in connection with the authorization, issuance and sale of such Sewer Revenue Bonds Series 1982 and such Subordinate Sewer Revenue Bonds Series 1982 all in accordance with said Loan Agreement.

Be it Resolved and Ordered by the Public Service Board of Shady Springs Public Service District, Raleigh County, West Virginia, as follows:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. Except as hereinafter set forth or as otherwise required by the context hereof, the terms used in this Amendatory Resolution shall have the respective meanings given them by the Original Resolution, as hereinafter defined.

A. "Amendatory Resolution" means this resolution, as from time to time amended or supplemented.

B. "Loan Agreement" means that certain Loan Agreement, dated June 3, 1982, between the Authority and District, a copy of which is attached as Exhibit "A" hereto and incorporated herein by reference, the form and execution of which Loan Agreement were approved by the Board on June 3, 1982.

C. "Original Resolution" means the Resolution entitled:

"A Resolution authorizing the construction and acquisition of certain sewage facilities of the Shady Spring Public Service District, Raleigh County, West Virginia, and the financing of the cost, not otherwise provided, thereof through the issuance by the District of not more than $3,200,000 in principal amount of Sewer Revenue Bonds, Series 1982; providing for the rights and remedies of and security for the holders of such Sewer Revenue Bonds, Series 1982; authorizing the sale of such bonds to the West Virginia Development Authority pursuant to the terms of a loan agreement between the District and said Authority and adopting other provisions relating thereto."

adopted by the Board June 3, 1982, which is further amended, supplemented, ratified and approved by this Amendatory Resolution.

Section 1.02. Authority of This Amendatory Resolution. This Amendatory Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law and in accordance with Section 4.1 of the Loan Agreement and is amendatory of and supplemental to the Original Resolution.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. By the Original Resolution, the District authorized, among other things, the issuance and sale to the Authority of not more than $3,200.00 in aggregate principal amount of Sewer Revenue Bonds.

B. Pursuant to the Loan Agreement, the District has agreed to issue and sell, and the Authority has agreed to purchase, $2,680,000 in aggregate principal amount of Sewer Revenue Bonds and $795,515 in aggregate principal amount of Subordinate Sewer Revenue Bonds.

C. It is in the best interests of the District, and the inhabitants thereof, that the Original Resolution be amended to authorize the issuance of the District's Sewer Revenue Bonds, authorized by the Original Resolution in an aggregate principal amount of not more than $3,475,515, as two separate issues of Sewer Revenue Bonds and Subordinate Sewer Revenue Bonds as prescribed by the Loan Agreement.

D. It is in the best interests of the District, and the inhabitants thereof, to set forth certain terms and conditions of said Sewer Revenue Bonds and said Subordinate Sewer Revenue Bonds and to provide for certain other matters in connection with the authorization, issuance and sale of said Sewer Revenue Bonds and said Subordinate Sewer Revenue Bonds, all in accordance with the Loan Agreement.

ARTICLE II

AMENDMENTS TO THE ORIGINAL RESOLUTION

Section 2.01. Amendments to Article I of the Original Resolution. Article I of the Original Resolution shall be amended as follows:

A. Subsection 1.02 (D) of the Original Resolution is hereby amended and re-enacted to read as follows:

"It is deemed necessary for the District to issue its Sewer Revenue Bonds in the principal amount of not more than $3,475,515, to consist of $2,680,000 in Sewer Revenue Bonds and not more than $795,515 in aggregate principal amount of Subordinate Sewer Revenue Bonds, to finance costs of the construction and acquisition of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchise deemed necessary or convenient therefor and for the improvements and extensions thereto; interest upon the Bond prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprises; administrative expense; and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof."

B. Subsection 1.02 (C) of the Original Resolution is hereby amended and re-enacted to read as follows:

"E. The estimated revenues to be derived in each year after the adoption of this Resolution from the operation of said Project and any improvements and extensions thereto (collectively, the "System") will be sufficient to pay all costs of the operation and maintenance of said System the principal of and interest on the Sewer Revenue Bonds and the Subordinate Sewer Revenue Bonds authorized to be issued pursuant to this Resolution and all Sinking Fund, Reserve Account and other payments provided for in this Resolution."

C. Section 1.03 of the Original Resolution is hereby amended and re-enacted to read as follows:

"Section 1.03. Resolution Constitutes Contract. In consideration of the acceptance of the Sewer Revenue Bonds and the Subordinate Sewer Revenue Bonds authorized to be issued hereunder by those who shall respectively hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the District and such noteholders or bondholders, and the covenants and agreements herein set forth to be performed by said District shall be for the equal benefit, protection and security of the legal holders of any and all of such Sewer Revenue Bonds or Subordinate Sewer Revenue Bonds, as the case may be, issued hereunder, and the coupons, if any, attached thereto, all of which shall respectively be of equal rank and without preference, priority or distinction, except as expressly provided therein and herein and except that said Subordinate Sewer Revenue Bonds shall be junior and subordinate as to lien and source of and security for payment to said Sewer Revenue Bonds.

D. Subsection 1.04(B) of the Original Resolution is hereby amended and re-enacted to read as follows:

"B. "Authority" shall mean the West Virginia Water Development Authority, which shall be the original purchaser of the Sewer Revenue Bonds and the Subordinate Sewer Revenue Bonds originally authorized to be issued hereunder, or any other agency of the State of West Virginia that succeeds to the functions of the Authority; provided, however, that the District must satisfy the engineering, legal and other requirements of the Program."

E. Subsection 1.04 (D) of the Original Resolution is hereby amended and re-enacted to read as follows:

"D. "Bonds" shall mean the not in excess of $3,475,515 in aggregate principal amount of Sewer Revenue Bonds, of the series and having such other details as shall hereafter be determined by a supplemental resolution of the Board, originally authorized to be issued pursuant to this Resolution, and any pari passu additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution."

F. Subsection 1.04 (E) of the Original Resolution is hereby amended and re-enacted to read as follows:

"E. "Bondholder" or "Holder" or any similar term shall mean any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to the bearer, or the bearer or owner of any coupons representing any interest accrued or to accrue on said Bonds or the bearer or owner of any outstanding Subordinate Bond or Subordinate Bonds, as hereinafter defined, registered to bearer or not registered, or the registered owner of any outstanding Subordinate Bond or Subordinate Bonds, as hereinafter defined, which shall at the time be registered other than to the bearer, or the bearer or owner of any coupons representing any interest accrued or to accrue on said Subordinate Bonds, as the case may be, or both, as required by the context in which the term is used in this Resolution.

G. Subsection 1.04 of the Original Resolution is hereby amended by adding thereto the following new subsections:

"U. "Subordinate Bonds" shall mean the not in excess of $795,515 in aggregate principal amount of Subordinate Sewer Revenue Bonds, of the series and having such details as shall hereafter be determined by a supplemental resolution of the Board, originally authorized to be issued pursuant to this Resolution.

V. "Supplemental Resolution" shall mean any resolution which is amendatory hereof or supplemental hereto, including, but not limited to, the resolution adopted in connection with the sale of the Notes and the resolution adopted in connection with the sale of the Bonds and the Subordinate Bonds originally authorized hereby.

"W. "System" shall mean the Project, in its entirety or any intergral part thereof, and shall include any improvements and extensions thereto hereafter constructed or acquired for said sewerage system from any sources whatsoever, both within and without said District.

"X. "WDA Bonds" shall mean, collectively, the Bonds originally authorized hereby in the aggregate principal amount of $2,680,000 and the Subordinate Bonds, originally authorized hereby in the aggregate principal amount of not to exceed $795,515.

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

"Z. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

ARTICLE III

AMENDMENTS OF THE ORIGINAL RESOLUTION

Section 2.02. Amendments to Article III of the Original Resolution. Article III of the Original Resolution shall be amended as follows:

A. The title of Article III is hereby amended and reenacted to read as follows: "AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS AND SUBORDINATE BONDS."

B. Section 3.01 of the Original Resolution is hereby amended and reenacted to read as follows:

"Section 3.01. Authorization and Terms of Bonds and Subordinate Bonds. For the purpose of paying additional costs, if any, of construction and acquisition of the Project, as shall be determined by the Supplemental Resolution, and paying certain costs of issuance and related costs, and for such other purposes set forth in the Supplemental Resolution, and paying certain costs of issuance and related costs, and for such other purposes set forth in the Supplemental Resolution, there shall be issued negotiable Sewer Revenue Bonds and Subordinate Sewer Revenue Bonds, respectively, of the District.

The Bonds originally authorized hereby shall be in such aggregate principal amount, not in excess of $2,680,000, may bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates and in such amounts, all as the District shall prescribe in the Supplemental Resolution. The Subordinate Bonds shall be in aggregate principal amount, not in excess of $795,515, shall not bear interest, payable annually on such dates, and shall mature on such dates and in such amounts, all as the District shall prescribe. The Bonds and the Subordinate Bonds shall be

payable as to both principal and interest, if any, at the office of the Commission, through a paying agent or agents selected by the orginal purchaser or purchasers thereof, in any coin or currency that is legal tender for the payment of public or private debys under the laws of the United State of America, and shall be redeemable, in whole or in part.

Unless otherwise provieded, the WDA Bonds shall be issued in the form of two (2) single bonds, each fully registered to the Authority, one such bond representing the Bonds originally authorized hereby and the other such bond reqresenting the Subordinate Bonds. Each such WDA Bond shall be in the denomination representing the aggregate principal amount of the Bonds or the Subordinate Bonds, as the case may be, and shall mature in principal installments, all as provided in the Supplemental Resolution. Said WDA Bonds shall each be exchangeable at the option and expense of the Holder for other fully registered bonds in the denomination of $5,000 or any integral multiple thereof, or if authorized by the Supplemental Resolution, for coupon bonds in the denomination of $5,000 each, in aggregate principal amount equal to the amount of said WDA Bond then outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said WDA Bond; provided, that the Authority shall be obligated to pay any expenses of such exchange. The coupon bonds for which any WDA Bond is exchanged, if so authorized by the Supplemental Resolution, shall have appropriate interest coupons for interest due and unpaid or to come due attached.

Subsequent series of Bonds may be issued as coupon Bonds, registrable as to principal only, in the denomination of $5,000 each, or as fully registered Bond, with payment records or record attached, in the denomination of $5,000 or any integral multiple thereof. The coupon Bonds shall be dated as of the date specified in the Supplemental Resolution authorizing such coupon Bonds, or the sale thereof, and shall bear interest from their date, payable in accordance with, and upon surrender of, the appurtenant interest coupons as they severally mature. The registered Bonds shall be dated as of the date of their delivery to the original purchaser of purchasers thereof and shall bear interest from such date.

Except as otherwise provided herein, before the delivery of any coupon Bonds or Subordinate Bonds, all matured coupons thereto attached, except matured coupons for which payment in full has not been provided, shall be cut off, cancelled and destroyed; provided, that if the coupon Bonds or Subordinate Bonds are issured in exchange for reqistered Bond or Subordinate Bond upon which interest is in default, as shown by the records of the Treasurer of the State, such coupon Bonds or Subordinate Bonds shall have attached thereto all coupons maturing after the date to wich interest has been paid in full, as shown by such records, and in case any interest installments have been paid in part, appropriate notation shall be made on the coupons to evidence such fact.

C. Section 3.02 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 3.02. Additional Terms of WDA Bonds. In addition to the terms set forth in Section 3.01 hereof, and in anticipation of the sale of the WDA Bonds to the Authority, the District hereby covenants that the WDA Bonds shall comply in all respects with the provisions of the Loan Agreement and of Section 7.09 of the bond resolution adopted by the Authority on June 3, 1982, as supplemented (the "Bond Resolution"), and shall have the following terms and be issued upon the following additional conditions:

A. Such WDA Bonds shall be in an aggregate principal amountrequired under the Authority's Bond Resolution to be paid from the proceeds of the WDA Bonds to fund the Capital Reserve Fund and to pay Costs of Issuance (both "Capital Reserve Fund" and "Costs of Issuance" are defined in said Bond Resolution), including any consultant fees, related thereto (collectively, the "Issuing Expenses") as determined by the Authority, and the District hereby agrees to advise the Authority of the amount, if any, of Issuing Expenses to be paid from any of its funds then available to pay such Issuing Expenses before utilizing the proceeds of the WDA Bonds to do so; provided, that the aggregate principal amount of such WDA Bonds shall include such additional amounts as may be needed to pay any additional costs of construction or acquisition of the Project or to provide for other allowable Costs of Works, as determined by the Supplemental Resolution and agreed to by the Authority; and

B. Such WDA Bonds shall mature in the times and amounts as directed by the Authority, but not over a period of more than forty (40) years, shall be dated as the Authority shall direct and shall be in respective denominations equal to the aggregate principal amount of the WDA Bond issue in accordance with subsection (A) of this Section 3.03. The WDA Bonds shall bear interest at such rate per annum (but not in excess of the legally permissible rates) as the Authority shall direct, payable as provided in the aforementioned Bond Resolution.

Unless otherwise provided by the Supplemental Resolution in the event of a change of policy by the Authority or the sale of the WDA Bonds to an original purchaser other than the Authority, the terms and conditions of the WDA Bonds set forth by the Supplemental Resolution pursuant to Section 3.01 hereof shall also conform to the terms and conditions required by this Section 3.03.

D. Section 3.02 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 3.02. Execution of Bonds, Subordinate Bonds and Coupons. Said Bonds and Subordinate Bonds shall be executed in the name of the District by the Chairman and the seal of the District 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 or the Subordinate Bonds, as the case may be, shall cease to be such officer of the Board before the Bonds or Subordinate Bonds so signed and sealed have been actually sold and delivered, such Bonds or Subordinate Bonds, as the case may be, may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed and sealed have been actually sold and delivered, such Bonds or Subordinate Bonds, as the case may be, had not ceased to hold such office. Any Bonds or Subordinate Bonds may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds or Subordinate Bonds, as the case may be, such person may not have held such office or may not have been so authorized.

Any coupons to be attached to coupon Bonds or Subordinate Bonds shall be authenticated with the manual or facsimile signatures of the present or future Chairman and Secretary.

E. Section 3.03 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 3.03. Negotiability, Transfer and Registration. The Bonds and the Subordinate Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds or Subordinate Bonds, as the case may be, or the coupons, if any, appertaining thereto, shall be conclusively deemed to have agreed that such Bonds or Subordinate Bonds, as the case may be, shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall futher be conclusively deemed to have agreed that said Bonds or Subordinate Bonds, as the case may be, shall be incontestable in the hands of a bona fide holder for value in the manner provided hereinafter in the form of said onds or Subordinate Bonds, as the case may be.

So long as any of the Bonds or the Subordinate Bonds remains outstanding, the Treasurer of the State shall keep and maintain books for the registration and transfer of the Bonds or the Subordinate Bonds, as the case may be. Any coupon Bonds or Subordinate Bonds, as the case may be, may be registered at the option of the Holder as to principal only at the office of the Treasurer of the State, such registration to be noted on the back of said coupon Bonds or Subordinate Bonds, as the case may be, in registration as to principal only, no transfer of the coupon Bonds or Subordinate Bonds, as the case may be, shall be valid unless made at said office by the registered owner, or by his or her duly authorized agent or representative, and similarly noted on the coupon Bonds or Subordinate Bonds, as the case may be, shall be valid unless made at said office by the registered owner, or by his or her duly authorized agent or representative, and similarly noted on the coupon Bonds or the Subordinate Bonds, as the case may be, but the coupon Bonds or Subordinate Bonds, as the case may be, may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability or delivery shall be restored. At the option of the Holder, the coupon Bonds or Subordinate Bonds, as the case may be, may thereafter again from time to time be registered or transferred as before. Such registration as to principal only shall not affect the negotiability of the coupons, wich shall continue to pass by delivery.

At the option of the Holder, coupon Bonds or Subordinate Bonds, as the case may be, may be exchanged for registered Bonds or Subordinate Bonds, as the case may be, have maturities of principal installments identical to the maturities of the coupon Bonds or Subordinate Bonds, as the cas may be, being exchanged therefor.

A registered Bond or Subordinate Bond shall be transferable only upon the bookds of the District, which shall be kept for that purpose at the office of the aforesaid Treasurer, by the registered owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Treasurer of the State duly excuted by the registered owner or his or her duly authorized

attorney. Upon exchange or transfer of a registered Bond or Subordinate Bond, as the case may be, there shall be issued another registered Bond or Subordinate Bond, as the case may be, or registered Bonds or Subordinate Bonds, as the case may be, of the aggregate principal amount equal to the unpaid amount of the transferred registered Bond or Subordinate Bond, as the case may be, or aughorized by the Supplemental Resolution, at the option of the Holder or the transferee, coupon Bonds or Subordinate Bonds, as the case may be, with appropriate coupons attached, of the aggregate principal amount equal to the unpaid principal amount of such registered Bond or Subordinate Bond, as the case may be, and having principal installments or maturities, as applicable, corresponding to the principal installments of such registered Bond or Subordinate Bond then upaid.

In all cases in which the privilege of exchanging Bonds or Subordinate Bonds, as the case may be, or transferring a registered Bond or Subordinate Bond, as the case may be, is exercised, Bonds or Subordinate Bonds, as the case may be, shall be delivered in accordance with the provisions of this Resolution. All Bonds or Subordinate Bonds, as the case may be, and coupons if any, surrendered in any such exchanges or transfers shall forthwith be cancelled by the Treasurer; provided, however, that the Treasurer may hold coupon Bonds or Subordinate Bonds, as the case may be, until the maturity thereof for use in future exchanges. For every such exchange or transfer of Bonds or Subordinate Bonds, as the case may be, the Treasurer may make a charge sufficient to reimburse his or her office 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 coupon or registered Bond or Subordinate Bonds, as the case may be, upon each exchange or transfer, and any other expenses of the said Treasurer incurred in connection therewith, which sum or sums shall be paid by the person requesting such such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer; provided, however, the Authority shall not be obligated to pay any such sum or sums as a condition precedent. The Treasurer shall not be obliged to make any such exchange or transfer of Bonds or Subordinate Bonds, as the case may be, during the ten (10) days preceding any interest payment date on the Bonds or Subordinate Bonds, as the case may be, or in the case of any proposed redemption of Bonds or Subordinate Bonds, as the case may be, next preceding the date of the selection of Bonds or Subordinate Bonds, as the case may be, to be redeemed.

F. Section 3.04 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 3.04. Bonds or Subordinate Bonds Mulilated, Destroyed, Stolen or Lost. In case any Bond or Subordinate Bonds, as the case may be, shall become mutilated or be destroyed, stolen or lost, the District may in the discretion of the Board issue and deliver a new Bond or Subordinate Bond, as the case may be, with all unmatured coupons, if any, so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated Bond or Subordinate Bond, as the case may be, upon surrender and cancellation of such mutilated Bond or Subordinate Bond, as the case may be, and attached coupons, if any, or in lieu of and substitution for the Bond or Subordinate Bond, as the case may be and coupons, if any, destroyed, stolen or lost and upon the Holder's furnishing the Board proof of his or

her ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Board may prescribe and paying such expenses as the District may incur. All Bonds or Subordinate Bonds, as the case may be, and coupons so surrendered shall be submitted to and cancelled by the Treasurer of the State and held for the account of the District. If such Bond or Subordinate Bond, as the case may be, or coupons shall have matured or be about to mature, instead of issuing a substitute Bond or Subordinate Bond, as the case may be, or coupon, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond or Subordinate Bond, as the case may be, or coupons by lost, stolen, or destroyed, without surrender therefor.

Any such duplicate Bond or Subordinate Bond, as the case may be, and coupons issued pursuant to this section shall constitute original, additional contractual obligations on part of the District, whether or not the lost, stolen or destroyed Bond or Subordinate Bond, as the case may be, or coupons be at any time found by anyone, and such duplicate Bond and coupons, if any, shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the revenues pledged herein with all other Bonds and coupons, if any, issued hereunder, and such duplicate Subordinate Bond and coupons, if any, shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the revenues pledged herein with all other Subordinate Bonds and coupons, if any, issued hereunder.

G. Section 3.05 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 3.05. Form of Bond Originally Authorized by This Resolution. Unless otherwise provided by the Supplemental Resolution, the text of the Bond originally issued pursuant to this Resolution shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution, the Supplemental Resolution or any subsequent resolution adopted prior to the issuance thereof.

(Form of Bond)

UNITED STATE OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF KANAWHA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1982

No._____ $_____

KNOW ALL MEN THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a political subdivision and a public corporation, organized and existing under the laws of the State of West Virginia (the "District")

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 its registered assigns (the "Alternate Payee"), on the first day of _____ of the years and in the principal installments specified below, the aggregate sum of _____ _____ Dollars ($_____) and solely from such special funds also to pay interest on said sum from the date hereof at the rate for each such principal installment specified below on the first day of _____ and the first day of _____ in each year beginning _____ 1, 19__, both principal of and interest on this Bond being payable in any coin or currency which, on the respective dates of payment of principal and interest, 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, through _____, _____, West Virginia, or at the option of the holder at the (principal) office of _____, _____, _____.

Year	Principal Installment	Interest Rate

This Bond is subject to redemption prior to its stated date of maturity as follows:

This Bond represents the aggregate principal amount, being $_____, of an authorized issue of Bonds (the "Bonds") issued to finance the cost of construction and acquisition of a public sewerage system (the "Project") of the District (, to pay additional costs of construction and acquisition of the Project) and to pay certain costs of issuance and related costs. Additional costs of construction and acquisition of the project are being paid with proceeds of $795,515.00 in aggregate principal amount of subordinate sewer revenue bonds issued contemporaneously herewith "Subordinate Bonds". This Bond is authorized under and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the Public Service Board of the District on the _____ day of _____, 198_, and supplemented thereby on the _____ day of _____, 198__ (the "Resolution"), and is subject to all the terms and conditions of said Resolution. In addition to authorizing the Subordinate Bonds, the Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the

funds and revenues and other security provided for the Bonds under the Resolution.

The Bonds are payable from and secured by the next revenues to be derived from the operation of the Project and any improvements and extensions thereto (collectively, the "System"), which net revenues shall be sufficient to pay the principal of, and interest on, all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose, and are futher secured by a statutory mortgage lien on the System. This Bond does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall said District be obligated to pay the same or the interest hereon except from said special fund provided from the net revenues from the operation of said System. By the Resolution, the District has convenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of said System and to leave a balance each year equal to at least 130% of the amount required during such year to pay the maximum amount due in any ensuing year of principal of and interest on all obligations, including the Bonds and the Subordinate Bonds, payable from such revenues. The District has entered into certain futher covenants with the holders of the Bonds for the terms of which reference is made to said Resolution. Remedies provided the holders of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of the District kept for that purpose at the office of the Treasurer of the State of West Virginia, by the Authority or Alternate Payee or by his or her or its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Treasurer of the State of West Virginia, duly executed by the Authority or the Alternate Payee, as appropriate, or his or her or its attorney duly authorizing in writing. Upon the transfer of this Bond, there shall be issued (at the option of the registered holder or the transferee coupon Bonds, with appropriate coupons attached, of the aggregate principal amount equal to the unpaid principal amount of this Bond, and having maturities corresponding to the principal installments of this Bond then unpaid, or) another fully registered Bond or fully registered Bonds of the aggregate principal amount equal to the unpaid principal amount of this Bond upon transfer hereof.

This Bond exchangeable at the option and expense of the registered holder hereof for other fully registered Bonds in the denomination of $5,000 or any integral multiple thereof (or for coupon Bonds in the denomination of $5,000 each), in aggregate principal amount equal to the amount of this Bond then outstanding, with principal installments (or maturities, as applicable,) corresponding to the dates of payment of principal installments of this Bond; provided, that the Authority shall not be obligated to pay any

expenses of such exchange. (The coupon Bonds for which this Bond is exchanged shall have appropriate interest coupons for interest due and unpaid for to come due attanced.

This Bond shall be exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

All money received from the sale of this Bond after reimbursement and repayment of all amount advanced or obligations incurred, as provided by law and the Resolution, shall be applied solely to refunding the Notes (paying additional costs of construction and acquisition of the Project) and paying certain costs of issuance and related costs, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered holder of this Bond.

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

All provisions of the Resolution 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 WEREOF, the said Shady Spring Public Service District has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereunto affixed and attested by the Secretary of it Public Service Board, all as of the _____day of _____, 19__.

_____
Chairman, Public Service Board

(SEAL)

ATTEST:

_____
Secretary, Public Service Board

Due Date	Principal Payment	Principal Balance Due After Payment	Interest Payment (%)	Date Paid	Name of Paying Agent, Authorized Officer and Title
	$	$			

(SCHEDULE "A")

Principal installments on which payment have been made prior to maturity

Principal Due Date	Amount	Principal Payment	Balance	Date Paid	Name of Paying Agent, Authorized Officer and Title
	$	$	$		

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the uundersigned sells, assigns and transfers unto _____ the within Bond of the Shady Spring Public Service District, and does hereby irrevocably constitue and appoint _____, attorney to transfer the said Bond on the books of the within-named Public Service District with full power or substitution in the premises.

_____

Dated: _____

In the presence of :

_____

H. Article III of the Original Resolution hereby is amended by adding thereto the following new Section 3.07 and is reenacted as amended:

Section 3.07. Form of Subordinate Bond. Unless otherwise provided by the Supplemental Resolution, the text of the Subordinate Bond originally issued pursuant to this Resolution shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution, the Supplemental Resolution or any subsequent resolution adopted prior to the issuance thereof.

(FORM OF SUBORDINATE BOND)

Know all men by these presents: That Shady Spring Public Service District, a poltical subdivision and a public cooperation, orginial and existing under the laws of the State of West Virginia (the "District") for value recieved, hereby promises to pay, solely from the special funds proceeded therefor, or hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or its registered assigns (the "Allternate Payee") the first day of October of the years and in the aggregate sum of _____ Dollars ($795,515) in equal annual installments of _____ ($22,097.64) each, comming on October 1, 1984 and commencing on October 1, 1984 and continuing on the first day of each October thereafter, to and including Octoverl, 2019, without interst, provided that the District shall my pay the amount advanced to it as shown on the Record of Advancemnts.

The principal payments of the Bond are payable in coin or currency which, on the respective date of payment of public and private debits under the laws of the United States of America, at the office of the West Viriginia Municipal Bond Commision, Charleston, West Viriginia, through the Charleston National Bank, Charleston, West Virginia.

This Bond is issued to finance a portion of the costs of construction and acquisition of new public service cacilities for the collection, treatment, purification or disposal of liquid or solid wastes (the "System") in the territory to be served by the Issuer under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13 of Chapter 16 of the West Virginia Code of 1931, as amended (the Act). 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 series 1982 Bonds, and prior to this Bond, under the Bond resolution.

This Bond is payable only from and secured by a pledge of the net revenues to be derived from the operation of the System, which net revenues shall be sufficient to pay the principal of and interest on all Bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any

constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided, and the Issuer has convenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 130% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on all obligations payable from such revenues. The Issuer has entered into certain futher convenants with the holders of this Bond for the terms of futher convenants with the holders of this Bond for the terms of which reference is made to the Bond Resolution. Remedies provided the holders of this Bond are exclusively as provided in the Bond Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Resolution, only upon the books of the Issuer kept for that purpose at the office of the Treasurer of the State of West Virginia, by the Payee, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Treasurer of the State of West Virginia, duly excuted by the Payee or its attorney duly authorized in writing.

This Bond shall be exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts adcanced for preliminary expenses as provided by law, shall be applied solely to the payment and any other indebtedness incurred by the Issuer for such purposes which is required to be paid from the moneys received from the sale of this Bond, or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the holder of this Bond.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BOND, SERIES 1982 A, OF THE ISSUER, ISSUED CONCURRENTLY HEREWITH 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 the Bond.

All provisions of the Bond Resolution, resolution 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, Shady Spring 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 Recorder, all as of the ____ day of _____, 1982.

_____
Chairman

(SEAL)

ATTEST:

_____
Secretary, Public Service District

(Form of Payment Record)

PAYMENT RECORD

Due Date	Principal Payment	Principal Balance Due After Payment	Name of Paying Agent Authorized Officer And Title
	$	$	

(Form of Assignment)

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

the within Bond of Shady Spring Public Servie District, and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books of the said District with full power of substitution in the premises.

Dated:

_____

In the presence of:

_____

(FORM OF ADVANCEMENT RECORD)

Record of Advances

Date Advanced	Balance Due After Advance	Name of Agent or Authorizing Agent

Section 2.04. Amendments to Article V of the Origional Resolution. Article V of the Original Resolution shall be amended as follows:

A. The title of Article V is hereby amended and reenacted to read as follows: "Application of WDA BOND PRECEEDS."

B. Article V of the Original Resolution hereby is amended by adding thereto the following new Section 5.02 and is reenacted as so amended:

Section 5.02. Application of Subordinate Bond Proceeds. From the moneys received from the sale of any or all of the Subordinate Bonds, the following amounts shall be first deducted and deposited:

A. Any accrued interest received from the original purchsers of the Subordinate Bonds shall be deposited in the Subordinate Bond Debt Service Account and aplied to the first interest payment due on the Subordinate Bonds.

B. The moneys derived from the sale of the Subordinate Bonds shall be deposited by the District in a separte account to be designated the "Subordinate Bond Proceeds Account," hereby established in the Construction Trust Fund created herein. After paying the costs of issuance of the Subordinate Bonds and related costs approved by the Board and allowable under the Act, any moneys remaining in the Subordinate Bond Proceeds Account may be drawn out, used and applied by the District for the payment of any additional costs of construciton and acquisition of the Project, and purposes incidental thereto. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to, such purposes, then such unapplied proceeds shall be deposited by the District in the Subordinate Bond Debt Service Account and shall be used only as provided therefor.

All proceeds of the Subordinate Bonds shall be and constiute a trust fund for the purposes above, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Subordinate Bonds.

C. Subordinate Bonds need not be paid to the District upon delivery to the Authority of the Bond, but may be advanced to the District and approved by the Authority; provided however that the Bond shall evidence only the indebtness recorded on the Record of Advances incorporated in the Bond.

Section 2.05. Admendments to Article VI of the Original Resolution. Article VI of the Original Resolution shall be amended as follows:

A. Section 6.01 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 6.01. General Convenants of the District. All the

convenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the District and shall be enforceable in any court of competent jurisdiction by any Holder or or Holders of the Bonds or the Subordinate Bonds as applicable. In addition to the other covenants, agreements and provisions of this Resolution, the District hereby covenants and agrees with the Holders of the Bonds and the Subordinate Bonds, as the case may be, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or Subordinate Bonds, as the case may be, or the interest, if any, thereon is outstanding and unpaid.

B. Section 6.02 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 6.02. Bonds and Subordinate Bonds Not To Be Indebtedness of the District. The Bonds, or the Subordinate Bonds or any coupons appertaining thereto shall be or constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indevtedness, but shall be payable solely from the revenues of the System. No Holder or Holders of any Bonds or Subordinate Bonds issued hereunder, or of any coupon appertaining thereto, shall ever have the right to compel the exercise of the taxing power, if any, of the District to pay said Bonds or Subordinate Bonds or any interest thereon.

C. Section 6.02 of the Original Resolution is hereby amended and reenacted to read as follows:

Sction 6.03. Bonds and Subordinate Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, to the extent necessary, with respect to the Bonds, to make the payments required under Section 4.01 of this Resolution. The payment of the debt service of the Subordinate Bonds shall also be secured by a lien on the Net Revenues derived from the operation of the System, to the extent necessary to make the payments required under Section 4.01 of this Resolution; provied, that said lien on the Net Revenues shall be junior and subordinate to the lien on the Net Revenues created on behalf of the Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Bonds and the Subordinate Bonds herein authorized and to make the the payments into the Sinking Fund, including the Reserve Account therein, and all other payments provided for in this Resolution are hereby irrevocably pledged, in the manner provided in this Resolution, to the payment of the principal of and interest, if any, on the Bonds and the Subordinate Bonds herein authorized as the same become due, and for the other purposes provided in this Resolution; provided, that said pledge for payment of the principal of and interest, if any, on the Subordinate Bonds shall be junior and subordinate to said pledge for payment of the principal of and interest on the Bonds. Payment of the debt service of the Bonds and, on a subordinate basis, the Subordinate Bonds is also secured by a statutory mortgate lien under the Act.

D. Section 6.04 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 6.04. Rates. Prior to the issuance of the WDA Bonds, equitable rates or charges for the use of and services rendered by the System will be established all in the mannerand form required by law, and a copy of such rates and charges so established will be continuously on file in the office of the Board, which copy will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to product Gross Revnues 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 continous performance of this covenant, with a margin for contingecies and temporary unanticipated reduction in income and revenues, the District hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient to provide for all reasonable expenses of operation, repair and maintenance of the Sustem and to leave a balance each year equal to at least 130% of the maximum amount required in any ensuing year to pay the interest and principal as the same become due and accomplish retirement of which such revenues have or shall have been pledged, charged or otherwise encumbered.

In addition to the foregoing, and in anticipation of the sale of the WDA Bonds to the Authority, the District covenants to obtain the requisite rate approval at such time and with such provisions with respect to interest rate on and maturity of the WDA Bonds as the Authority shall require.

E. Section 6.06 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 6.06. 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 oly if the net proceeds to be realized shall be sufficient to pay fully, as provided by Section 9.05 hereof, all the Bonds and Subordinate Bonds, as the case may be, outstanding. The proceeds from such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds and Subordinate Bonds, immediately be remitted to the Comission for deposit in the Sinking Fund and the Subordinate Bond Debt Service Account in amounts respectively sufficient to effect such defeasance pursuant to Section 9.05. In event the Authority is no longer a Bondholder, such proceeds must be deposited in amounts respectively sufficient to redeem all the Bonds and Subordinate Bonds then outstanding, at the earliest possible redemption date, and the District shall direct the Commission to apply such proceeds to effect such redemption at the earliest possible redemption date. Any balance remaining after the payment of all the Bonds and Subordinate Bonds and any interst thereon shall be remitted to the District payable out of the revenues of the System to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, however, that no such subordinate obligations shall be issued unless the Reserve Account in the Sinking Fund is funded to the extent that no futher payments are required thereto as provided in Section 4.01 (C) (2); and provided, futher,

that no such subordinate obligations shall be issued as long as any of the Subordinate Bonds is outstanding without the prior written consent of the Authority.

Except as provided above, the District 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 Resolution, or upon the System or any part thereof. The District 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 upon the proceeds of the WDA Bonds, or upon the System or any part thereof.

F. Section 6.07. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever payable from the Bonds of the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such proceeds or revenues with the Bonds; provided for in Section 6.08 hereof. All obligations hereafter issued by the District payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate.

G. Section 6.11 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 6.11. Remedies and Appointment of Receiver. Any Bondholder may, by proper legal action, compel the performance of teh duties of the District under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the aplication thereof. If there by any default in the payment of the principal of or interest, if any, on any Bond or Bonds or any Subordinate Bond or Subordinate Bonds, as the case may be, as the same shall become due or mature, or otherwise in the performance of any covenant contained in this esolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the District of such default, any Noteholder or Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District with the power to charge reates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and the Subordinate Bonds thereto, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possission of all

facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and rights and powers of the District with respect to said facilities as the District itself might do.

Whenever all that is due upon the Bonds or the Subordinate Bonds, as the case may be, issued pursuant to this Resolution and interest, if any, thereon and under any covenants of this Resolution for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of the Bonds or Subordinate Bonds issued pursuant to this Resolution shall have the same right to secure the futher 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 futher orders and decrees as such court may deem necessary or appropriate for the exercies 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 District and for the joint protection and benefit of the District and the Holders of Bonds and Subordinate Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assits 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 District and Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the District, enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

H. Section 6.16 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 6.14. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds or a Subordinate Bond or Subordinate Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The accounting system for the System shall follow currently accepted accounting practices and safeguards. Separate contral accounting records shall be maintained by the District. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookeeping records as prescribed by the Board. The Board 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 Board shall be reported to such agent of the Board as the Board shall direct.

The District shall file with the Consulting Engineers 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 Subordinate Bonds requesting the same, an annual report containing the following:

A. A statement of Gross Revenues, Operating Expenses and Net Revenues derived from the System.

B. A balance sheet statement showing all deposits in all the funds provided for in this Resolution and the status of all said funds.

The District shall also, at least once a year, cause the books, records and accounts of the System to be audited by an Independent Certified Public Accountant and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Bonds or Subordinate Bonds issued pursuant to this Resolution and shall file said report with the Authority, or any other original purchaser of the Bonds.

I. Section 6.17 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 6.17. 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 District and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or ecupant of any house, dwelling or building located near the System, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after receipt of a thirty (30)-day notice of the availability of the facilities of the System, pay the rates and charges established therefor. For purposes of this paragraph, a house, dwelling, or building shall not be deemed to be located "near" the System if it is futher than 300 feet from the System.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the

the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the District and public nuisance which shall be abated to the wxtent permitted by law and as promptly as possible by proceeding in a court of competent jurisdiction.

I. Section 3.08, formerly Section 3.06, of the Original Resolution is hereby amended and reenacted to read as follows:

Section 3.08. Sale of WDA Bonds. The WDA Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement as a part of the Authority's Program; provided, however, that the District shall satisfy certain engineering, legal and other requirements of the Authority's Program; and provided, futher, that the form and execution of the Loan Agreement shall be approved by the Supplemental Resolution of the Board.

Section 2.03. Amendments to Article IV of the Original Resolution.. Article IV of the Original Resolution shall be amended as follows:

A. Subsection 4.01 of the Original Resolution is hereby amended and reenacted to read as follows:

9. Whenever all of the required and provided transfers and payments from said 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 for Operating Expenses and into the Sinking Fund, including the Reserve Account therein, and the Renewal succeeding three (3) months, such excess shall be considered as surplus revenues. Said surplus revenues shall be used for the purposes and in the order and priority as follows:

(1) To remit to the Commission for deposit into the Shady Spring Public Service District Subordinate Sewer Revenue Bond Debe Service Account (the "Subordinate Bond Debt Service Account"), which is hereby created and established with the Commission, on the first (1st) day of each month, beginning with the first month in which said surplus revenues are available, a sum equal to one-twelth (1/12) of the amount of principal which will mature and become due on the Subordinate Bonds on the next ensuing principal payment date thereof and one-sixth (1/6) of the amount of interest, if any, which will become due on the Subordinate Bonds on the next ensuing interest payment date thereof; provided, however, that in the event that the period ot elapse between said initial deposit date and the next principal payment date or interest payment date, as the case may be, is less that thirteen (13) or seven (7) month, respectively, then such monthly deposits shall be increased proportionately to provide, one month prior to the next such payment date, the amount of principal of the Subordinate Bonds maturing on said date or the amount of interest, if any.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of Ten Thousand Dollars ($10,000), the Board 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 shall be in excess of Ten Thousand Dollars ($10,000) but not in excess of Fifty Thousand Dollars ($50,000), the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and 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 property upon bublic bidding. The proceeds derived from any such sale, lease other disposition of such property, in excess of $10,000 and not in excess of $50,000, shall be remitted by the District 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 three percent (3%) of such par value. Such payments 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 Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom sahll be in excess of $50,000 and insufficient to pay all the Bonds and Subordinate Bonds then outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds percent (66-2/3%) in amount of the Bonds a sixty-six and two-thirds percent (66-2/3%) in amount of the Subordinate Bonds, as the case may be, then outstanding. The Board shall prepare the form of such approval and consent for execution by the then Holders of the Bonds and the Subordinate Bonds, as the case may be, for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 2.06 Amendments to Article XII of the Original Resolution. Article XII of the Original Resolution shall be amended as follows:

A. Section 7.01 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 7.01 Modification of Amendment. No material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto that would materially and adversely affect the rights of the Holders of any Bonds or Subordinate Bonds, as the case may be, shall be made without the consent in writing of the respective Holders of two-thirds (2/3) or more in principal amount of such Bonds or Subordinate Bonds, as the case may be, then outstanding; provided, however, that no change shall be made in the maturity of any Bond or Bonds or any Subordinate Bond or Subordinate Bonds, as the case may be, or in the principal amount thereof or the rate of interest thereon or affecting the unconditional promise of the District to pay such principal and interest out of the funds herein pledged therefor without the consent of the respective Holder thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount Bonds or Subordinate Bonds, as the case may be, required for consent to the above-permitted amendments or modifications.

B. Section 7.05 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 7.05. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds or Subordinate Bonds, as the case may be, and any coupons appertaining thereto the principal thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any revenues and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the District to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or Subordinate Bonds, and any coupons or interest installments thereon, for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which , when due, will provide moneys which, together with the moneys, if any, deposited with the paying agent at the same or earlier time, shall be sufficient, to pay as and when due the principal of and interest, if any, on such, Bonds or Subordinate Bonds, as the case may be, shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds or Subordinate Bonds and any coupons appertaining thereto, 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 either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys deposited with the Commission at the same time, shall be sufficient, to pay when due the principal of and interest due and to become due, on and prior to the maturity dates thereof, on said Bonds, Subordinate Bonds, as the case may be. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest, if any, on said Bonds or said Subordinate Bonds, as the case may be; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission, if not then needed fro such purpose, shall, to the extent practicable, be reinvested in securities maturing at times in amounts sufficient to pay when due the principal of and the interst due and to become due, on and prior to such maturity dates thereof, on said Bonds or said Subordinate Bonds, as the case may be, and interest earned from such reinvestments shall be paid over to the District as received by the Commission, free and clear of any trust, lien or pledge. For the purpose of this section, secruities shall mean and include only Government Obligations.

C. Section 7.06 of the Original Resolution is hereby amended and reenacted to read as follows:

Section 7.06. Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Bonds or Subordinate Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the

acquisition of which would cause any, Bond or Subordinate Bond to be an "arbitrage bond" as defined in Section 103 (c) (2) of the Internal Revnue Code, and the Chairman shall deliver his or her certificate, based upon this covenant, with regard thereto to the original purchasers of the Bonds or Subordinate Bonds, as the case may be.

ARTICLE III

TERMS AND PROVISIONS OF WDA BONDS

Section 3.01. Bonds Originally Authorized by the Resolution. To pay additional costs of construction and acquisition of the Project, and to pay costs of issuance and related costs, the issuance and sale to the Authority of $2,680,000 in aggregate principal amount of Bonds is hereby authorized, subject to the provisions of the Resolution. Said Bonds shall be designated "Sewer Revenue Bonds, Series 1982," and shall constitute the "Local Bonds" under the Loan Agreement. Said Bonds shall be dated as of the date of Agreement. Said Bonds shall be dated as of the date of delivery to the Authority, shall be issued as a single bond, fully registered to the Authority, exchangeable for coupon Bonds and otherwise as provided by the Resolution, and shall be payable in principal installments in such amounts and on such dates and bear interest on such principal installments at such rates and payable on such dates as are prescribed by the Loan Agreement. Said Bonds shall be redeemable only as privided by Section 4.7 of the Loan Agreement. Said Bonds shall have such other terms and be subject to such other conditions and shall be sold to the Suthority for such price and otherwise as prescribed by the Loan Agreement.

Section 3.02. Subordinate Bonds. To pay additional costs of construction and acquisition of the Project, and which additional costs have been approved by the Authority, and to pay costs of issuance and related costs, the issuance and sale to the Authority of 795,515 in aggregate principal amount of Subordinate Bonds is hereby authorized, subject to the provisions of the Resolution. The Subordinate Bonds shall be designated "Subordinate Sewer Revenue Bonds, Seriew 1982," and shall constitute the "Supplemental Bonds" under the Loan Agreement. The Subordinate Bonds shall be dated as of the date of delivery to the Authority, shall be issued as a single bond, fully registered to the Authority, and shall be payable in principal installments in such amounts and on such dates as are prescribed by the Loan Agreement. The Subordinate Bonds shall have such other terms and be subject to such other conditions and shall be sold to the Authority for such price and otherwise as prescribed by the Loan Agreement.

Section 3.03. Paying Agent. The Charleston National Bank, Charleston, West Virginia, has been selected as paying agent for the Authority and is hereby designated as the paying agent for the WDA Bonds. Accordingly, both the Bonds originally authorized by the Resolution and

the Subordinate Bonds are payable as to principal, and the Bonds originally authorized by the Resolution are payable as to interest, at the office of the West Virginia, through The Charleston National Bank, Charleston, West Virginia. There shall be no alternate paying agent for the WDA Bonds.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Sinking Fund. In accordance with the Subection 4.01 (C) (1) of the Resolution, the District shall commence making deposits on Account of interest into the Sinking Fund on September 1, 1982.

Section 4.02. Futher Actions. The Chairman and Secretary of the Board and all other members of teh Boards and employees of the District are hereby authorized and directed to take all actions necessary to cause the WDA Bonds to be properly executed and delivered to the Authority and to execute and deliver any other documents required in connection therewith.

Section 4.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Amendatory Resolution shall be held invalid, such invalidity shall not affect any of the remaing provisions of this Amendatory Resolution or of the Resolution.

Section 4.04. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, in conflict with this Amendatory Resolution are to the extent of such conflict repealed.

Section 4.05. Covenant of Due Procedure. The District 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 final adoption of this Amendatory 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 the Chairman, Secretary and members of the Board were at all times when any actions in connection with this Amendatory Resolution occured, and are, duly in office and duly qualified for such offices.

Section 4.06. Ratification and Conformation. The District does hereby ratify and confirm its action by which it adopted the original Resolution dated on June 3, 1982, and does futher ratify and confirm its action by which it entered into and authorized The Loan Agreement dated June 3, 1982.

Section 4.07. Effective Date. This Amendatory Resolution shall take effect immediately upon adoption.

Adopted this 9th day of August, 1982.

CHAIRMAN

MEMBER

MEMBER

MEMBER

MEMBER

SHADY SPRING PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $170,532 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, 1994 SERIES A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BOND; RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BOND; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE DISTRICT BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bond, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bond.

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

"Bond" means the Bond originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bonds in substantially the form set forth in the Bond Forms contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bond for the proceeds representing the purchase of the Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Construction Trust Fund established by Section 5.02.

"Consulting Engineers" means G. A. Tice, Incorporated, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04I hereof to be a part of the cost of construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the 1994 Series A Bond, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of

this definition of Excess Investment Earnings] had been equal to the Yield on the Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any

profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to se such other fund to pay Debt Service;

(v) Amounts in the Reserve Account and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

"Gross Revenues" means the aggregate gross operating and [illegible]perating revenues of the System, as hereinafter defined, [illegible]ined in accordance with generally accepted accounting [illegible]iples, after deduction of prompt payment discounts, if any, [illegible]onable provision for uncollectible accounts; provided,

that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined), or any Tap Fees, as hereinafter defined.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" means the Shady Spring Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund Loan Agreement dated April 12, 1994, by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority and which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve 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 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

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

"Original Bond" or "Bond originally authorized hereby" or similar phrases shall mean the not more then $170,532 in aggregate principal amount of Sewer Revenue Bonds, 1994 Series A issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted hereby and authorized by a resolution supplemental hereto.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds Series 1982 A dated August 1, 1982, issued in the original principal amount of $2,680,000.00 and outstanding in the principal amount of $_____ as of March 1, 1994.

"Prior Resolution" means the resolution passed by the Board of the Issuer on August 9, 1982, as thereafter amended or supplemented with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including

all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" shall mean the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" shall mean the wastewater treatment facility project described in Exhibit A attached hereto, constituting extensions, additions, betterments and improvements to the existing sewerage system of the District.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. 93-0553-PSD-CN which was entered by the Administrative Law Judge on March 1, 1994, and which became the final Commission order on March 21, 1994, as such order shall be supplemented or amended from time to time.

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

(a) Government Obligations;

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

(c) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government

National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

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

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended; and

(h) Advance-Refunded Municipal Bonds.

"Rebate Fund" means the fund created pursuant to Section 8.02 hereof.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01.

"Reserve Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

"Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest with will become due on the Bonds in the then current or any succeeding year.

"Resolution" shall mean the Prior Resolution, as supplemented by this Resolution and as further amended or supplemented. Unless the context clearly requires a different meaning, reference to "this Resolution" in the Prior Resolution shall mean the Prior Resolution.

"Revenue Fund" means the Revenue Fund established by Section 5.01.

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

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

"Sinking Fund" means the Sinking Fund established by Section 5.02(1) hereof.

"State" means the State of West Virginia.

"Subordinate Bonds" means $795,515 Shady Spring Public Service District Sewer Revenue Bonds 1982 Series B.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer,

including but not limited to the Renewal and Replacement Fund, the Reserve Account and Sinking Fund, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereof, both within and without said Issuer.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

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

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a sewage treatment plant or plants and some or all of collecting, intercepting and outlet sewers, lateral sewers, drains, force mains, conduits, pumping stations, ejector stations and all other appurtenances, extensions, additions and improvements necessary, appropriate, useful, convenient or incidental for the collection, treatment and disposal in a sanitary manner of sewage and industrial wastes (herein referred to as the "System").

C. The acquisition and construction of the System was financed in part from proceeds from $3,457,515 in principal amount of the Issuer's Sewer Revenue Bonds dated August 1, 1982, authorized pursuant to the Prior Resolution.

D. The Prior Bonds of the Issuer are Outstanding in the approximate principal amount of $2,580,000.00.

E. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not pledged or encumbered in any manner.

F. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain improvements and extensions to the existing System of the District, consisting of the Project, at an estimated cost of $399,954, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer, and which Project is generally described in Exhibit A attached hereto and by this reference made a part hereof and has an estimated useful life in excess of twenty (20) years.

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and all sinking fund, reserve account and other payments provided for herein, in the Supplemental Resolution and in the PSC Order, and the principal of and interest on and debt service requirements for the Prior Bonds.

H. The estimated maximum cost of the construction and acquisition of the Project and issuance of the Bonds is $399,954, of which $170,532 will be permanently obtained from the Bond herein authorized, $87,000 from a Raleigh County Commission grant,

$21,078 from a DEP planning advance, $124,750 from the Issuer and $9,000 from tap fees. The District may obtain such grants and contributions from other sources as may be necessary to pay Costs.

I. It is deemed necessary for the Issuer to issue its sewerage revenue bonds in the total aggregate principal amount of not more than $170,532 to permanently finance a portion of the cost of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Original Bonds prior to and during construction or acquisition and for six months after completion of construction of the Project; amounts which may be deposited in the Reserve Account; engineering, fiscal agents and legal expenses; expenses for estimates of cost and revenue; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, any fees or expenses of the Authority or DEP and any defaulted interest thereon, commitment fees, discount, initial fees for the service of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Original Bonds, and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Original Bonds or the repayment of the indebtedness incurred by the Issuer for such purposes shall be deemed part of the Cost of the Project.

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

K. It is in the best interests of the Issuer that the Bond be sold to the Authority pursuant to the terms and provisions of the Loan Agreement. The Issuer has received, or will receive prior to the Bond closing date, written consent from the owner of the Prior Bond, to issue the Bond on a parity with the lien of the Prior Bond. The issuer has met the parity test as set forth in the Prior Resolution.

L. The Original Bond shall be issued with a lien on the Net Revenues on a parity with the lien held by the registered owners of the Prior Bond and senior to the Subordinate Bonds.

M. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the construction, acquisition and operation of the Project and the System and the issuance of the Bonds, or will have so complied prior to issuance of any Bonds, including, among other things and

without limitation, the obtaining of the PSC Order, the time for rehearing and appeal of which expired.

N. The Issuer will not permit, at any time, any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code.

O. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds.

P. The Bonds will not be federally guaranteed within the meaning of the Code.

Q. It is reasonably anticipated that all proceeds of the Original Bonds will be spent within two years from the date of issuance.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby authorized the acquisition and construction of the Project in accordance with plans and specifications therefor prepared by the Consulting Engineers.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Program.

ARTICLE III

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

Section 3.01. Authorization of Bond. For the purposes of paying the costs, not otherwise provided, of the construction and acquisition of the Project, funding a reserve account for the Bonds, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $170,532. Said Bond shall be issued as one bond to be designated "Shady Spring Public Service District Sewer Revenue Bond, 1994 Series A". The Original Bond shall be dated as of the date of delivery thereof,

shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of issuance, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bond shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Original Bond shall be as set forth on Schedule Y to the Loan Agreement. The Original Bond shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Original Bond.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bond shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Original Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Original Bond shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the amount of said Bond then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bond; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bond may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bond shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bond. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bond to the Authority, the District covenants that the Bond shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority and/or DEP.

Section 3.04. Execution of Bond. The Bond 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 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 Bonds 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 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bond shall be conclusively deemed to have agreed that such Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bond.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other Bonds issued hereunder.

Section 3.08. Bond not to be Indebtedness of the Issuer. The Bond shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Owners of any of the Bond shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bond or the interest thereon.

Section 3.09. Bond Secured by Pledge of Net Revenues. The payment of the debt service on all the Original Bonds shall be secured forthwith equally and ratably with each other and the Prior Bonds by a shared first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and the Prior Bonds and to make the payments into the sinking funds and the reserve accounts therein and in the Renewal and Replacement Fund hereinafter established and as established in the Prior Resolution, are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds and the Prior Bonds as the same become due.

Section 3.10. Form of Original Bond. The text of the Original Bond 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 1994 Series A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, 1994 SERIES A

No. AR-1 $170,532

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 Seventy Thousand Five Hundred Thirty-Two and 00/00 ($170,532.), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in installments on the 1st day of September, the 1st day of December, the 1st day of March and the 1st day of June in each year beginning June 1, 1995, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the Paying Agent.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and DEP and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated April 12, 1994, among the Authority, the DEP and the Issuer.

This Bond is issued (i) to pay costs of acquisition and construction of a certain improvements, additions, extensions and betterments to the existing wastewater treatment system of the Issuer (the "Project"), and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly enacted by the Issuer on the 6th day of

June, 1994, and a Supplemental Resolution adopted by the Issuer on the 6th day of June, 1994 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

This Bond ranks equally as to lien and security with the Prior Bonds, as defined in the Resolution and senior to the Subordinate Bonds.

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues as defined in the Resolution, on a parity with the lien of the Prior Bonds, to be derived from the operation of the System, moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest on all obligations on a parity with or prior to the Bonds, payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on the Bonds and any bonds on a parity therewith in any succeeding fiscal year and in the reserve account for the Prior Bonds and the Subordinate Bonds an amount equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Registrar by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of

this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

The use of any proceeds of this Bond for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity will constitute an Event of Default under the Resolution as defined and set forth therein.

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

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

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

IN WITNESS WHEREOF, SHADY SPRING 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 _____, 1994.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the 1994 Series A Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 1994

BANK ONE, WEST VIRGINIA, BECKLEY, N.A.,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

Amount	Date	Amount	Date
(1) $		(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

Total $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

Form of Assignment

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

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.12. Original Bonds are Issued as Parity Bonds. The Original Bonds are issued as and shall constitute Parity Bonds in accordance with the Prior Resolution. Prior to the issuance of the Original Bonds, the Issuer must receive the written approval of the owner of the Prior Bonds.

Section 3.13. Certificate of Consulting Engineers. Prior to the issuance of the Original Bonds, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreement to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, the Project is adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of acquisition and construction of the Project.

ARTICLE IV

[Reserved]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts were either established by the Prior Resolution or are created hereby and shall be held by the Depository Bank:

(1) Revenue Fund (when the Prior Bonds are no longer Outstanding);

(2) Operation and Maintenance Fund (when the Prior Bonds are no longer Outstanding);

(3) Renewal and Replacement Fund;

(4) Bond Construction Trust Fund; and

(5) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Sinking Fund;

(a) Within the Sinking Fund, the Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. As long as the Prior Bonds are outstanding, the entire Gross Revenues shall be deposited pursuant to the terms of the Prior Resolution. When the Prior Bonds are no longer Outstanding, the entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided.

(1) The Issuer shall, each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund an amount sufficient to pay current Operating Expenses of the System.

(2) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and pay the amounts required by the Prior Resolution to be deposited in the Prior Bonds Sinking Fund for payment of the principal of and interest on the Prior Bonds, and (i) simultaneously therewith, commencing 4 months prior to the first date of payment of interest on the Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on said Bonds on the next ensuing quarterly interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Bonds Sinking Fund and the next quarterly interest payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly interest payment date, the required amount of interest coming due on such date, and (ii) on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Bonds on the next ensuing quarterly principal payment date; provided that, in the event the

period to elapse between the date of such initial deposit in the Bonds Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

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

(3) The Issuer shall next transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolution to be deposited in the Prior Bonds Reserve Account and on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account, an amount equal to 1/120 of the Reserve Requirement; provided, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement.

(4) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the reserve account established with respect to the Prior Bonds or in the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due. Moneys in the Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Bonds, as the same shall come due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in

the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Project and thereafter, to the Sinking Fund.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to an amount below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Fund for payment of debt service on the Bonds have been made in full.

B. As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the Sinking Fund sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in an amount equal to the Reserve Requirement.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Fund, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus

revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

Section 5.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Original Bonds not required by the Project in the Reserve Account.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bonds, there shall be deposited with the Bank One, West Virginia, Beckley, National Association, as holder of the Reserve Account created for the Prior Bond.

B. The remaining moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the Bond Construction Trust Fund hereinafter established.

C. There is hereby created and established with the Depository Bank a special fund, designated the "Bond Construction Trust Fund". The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

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

(1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in the Prior Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any owner or owners of the Bonds as if they were set forth in full in this Resolution. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is Outstanding and unpaid.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Original Bonds issued hereunder shall be secured forthwith equally and ratably with the Prior Bonds by a first lien on the Net Revenues derived from the

operation of the System but senior to the Subordinate Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and to make the payments into the respective Sinking Fund, including the Reserve Account therein, and all other payments provided for in this Resolution and the Prior Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds and the Prior Bonds and the Subordinate Bonds as the same become due, and for the other purposes provided in the Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary/ Treasurer, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder and under the Prior Resolutions. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Prior Bonds and the Bonds; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and the reserve account for the Prior Bonds is funded at least at the requirement provided for in the Prior Resolutions, respectively, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bonds and the Prior Bonds.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Resolution.

Upon completion of the Project, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Project and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law or the Prior Resolution, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Prior Bonds and the Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Prior Bonds and the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Prior Bonds and the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and prior, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such prior obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

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

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP, and as long as the Prior Bonds are outstanding, the written consent of the holder of the Prior Bonds. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The Prior Bonds;
(2) The Subordinate Bonds
(3) The Original Bonds then Outstanding;
(4) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
(5) The Parity Bonds then proposed to be issued.

The "estimated average increased annual net revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of

delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

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

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

No Parity Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Resolution and the Prior Resolution on

account of the Prior Bonds and the Bonds then Outstanding, and any other payments provided for in this Resolution or the Prior Resolution, shall have been made in full as required to the date of delivery of the Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Project as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Project; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bonds. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on

a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

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

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers. Such resident engineer shall certify to the Authority, the DEP and the Issuer at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement, and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in

the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of this Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

Section 7.11. Compliance With Loan Agreement, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the

user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the Loan Agreement or Grant Receipts or other sources of financing for the Project.

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

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

and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Council shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Prior Bonds, Bonds, or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, each month complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and is incorporated herein by

reference, and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Project, complete Payment Requisition Forms, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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

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

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of

any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the sewerage facilities portion of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the sewerage facilities portion of the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the sewerage facilities portion of the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the sewerage facilities portion of the System, pay the rates and charges established therefor.

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

Section 7.18. Compliance with Loan Agreement. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

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

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as local governmental activity of the Issuer.

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

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

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

E. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax exempt status of the Bonds, including without limitation the information return required under Section 149(e) of the Code.

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludible from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 7.20. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and on a parity with the lien of the Prior Bonds but senior to the Subordinate Bonds, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds.

Section 7.21. Compliance. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.22. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Sections 8.02 and 8.03.

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

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such

manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return) with respect to the Bonds so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Bonds other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code or the Loan Agreement, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 15 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings.

Thereafter, within 15 days following the last day of each Bond Year and within 15 days following the date of the retirement of the Bonds, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause (A)(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date for the Bonds and the date the

computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE UNTIED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close if the computation period. Not later than 60 days after the retirement of the Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United

States, on a timely basis, from any funds lawfully available therefor.

In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and the Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority and DEP, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority or DEP.

J. AMENDMENTS TO THIS SECTION. Notwithstanding any of the provisions herein to the contrary, the Issuer agrees to amend the provisions of this Section from time to time at the direction of the Authority in order to insure continuing compliance with Section 8.02 hereof.

Section 8.04. Restriction of Yield and Bond Proceeds. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

(4) An "Event of Default" as defined in the Prior Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by

action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the time or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect

expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code

relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds and the Notes from the gross income of the Owners thereof.

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

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

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution, except the Prior Resolution, are, to the extent of such conflict, hereby repealed.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary/Treasurer 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 6th day of June, 1994.

SHADY SPRING PUBLIC SERVICE DISTRICT

J. Ray Stalter

Chairman, Public Service Board

Robert E. Gilley

Member, Public Service Board

Connie L. Barker

Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 6th day of JUNE, 1994.

Dated: June 6, 1994.

[SEAL]

Secretary/Treasurer,
Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECT

The Project consists of the extension of sewer line into two (2) separate neighborhoods. The proposed extensions will be to the Districts existing 55-mile collection system and 0.8 MGD Waste Water Treatment Facilities. Each extension shall tie into an existing 8" diameter SDR PVC sewerline.

EXHIBIT B

LOAN AGREEMENT

[See Tab 7]

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER

PROPOSED RATES

SCHEDULE NO. 1

Applicability

Applicable inside and outside of the boundaries of the applicant District.

Availability

Available for metered domestic, commercial, and industrial sewer service, except unusual industrial waste.

Rate

Each 1,000 gallons used per month	$ 5.38 per 1,000 gallons
Minimum Bill	$ 10.76 per month

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed penalty is not interest and is to be collected only once for each bill where it is appropriate.

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER

PROPOSED RATES

SCHEDULE NO. 2

Applicability

Applicable inside and outside the boundaries of the District.

Availability of Service

Available for sanitary sewer service to unmetered water users and users who obtain water from wells.

Flat Rate (3,500 gallons) $18.83 per month

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed penalty is not interest and is to be collected only once for each bill where it is appropriate.

SCHEDULE NO.3

Applicability

Applicable inside and outside the boundaries of the District.

Service Connection Fee - $250.00

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER

PROPOSED RATES

SCHEDULE NO.4

SURCHARGE FORMULA TO BE APPLIED IN THE CASES OF USERS PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci = VoVi+BoBi+SoSi$$

Ci = charge to unusual users per year

Vo = average unit cost of transport and treatment chargeable to volume, in dollars per gallon

Vi = volume of waste water from unusual users, in gallons per year

Bo = average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound

Bi = weight of BOD from unusual users, in pounds per year

So = average unit costs of treatment (including sludge treatment) chargeable to total solids, in dollars per pound

Si = weight of total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in judgement of the Shady Spring Public Service District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefor, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion, of each fiscal year, based on the investigation aforesaid and audit of the Shady Spring Public Service District records, new cost fig will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user. Based on thes audited figures, additional billings covering the past fiscal year will be made for payment by each unusual user, or refund given by the Shady Spring Public Service District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

Comment - Not part of the rate schedule:

This schedule is included on an if-and-when basis.

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER

PROPOSED RATES

SCHEDULE NO.5

APPLICABLE INSIDE AND OUTSIDE OF THE CORPORATE LIMITS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Shady Spring waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Shady Spring Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

This explanation is not part of the rate schedule:

If and when an industrial plant, for example, chooses to treat its own industrial waste but elects to discharge waste from bathrooms, kitchens, a other sources of so-called human waste to the Shady Spring waste treatment system, obviously the plant's water meters would not reflect the amount of sanitary sewerage thus treated by the Shady Spring waste treatment plant. Hence, the formula above will be used to determine the amount of sanitary waste thus treated.

Comment - Not part of the rate schedule:

This schedule is included on an if-and-when basis.

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, 1994 SERIES A, DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK, AND CONSTRUCTION TRUST FUND DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on June 6, 1994 (the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $170,532 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, 1994 SERIES A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BOND; RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BOND; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer Revenue Bond, 1994 Series A (the "Bond") in aggregate principal amount not to exceed $170,532, all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bond should be established by a supplemental resolution;

WHEREAS, the Bond is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bond be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bond be herein provided for.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bond shall be in the aggregate principal amount of $170,532, with the following provisions:

(A) The Bond shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of $170,532. The Bond shall be dated the date of delivery thereof, shall bear interest at the rate of zero percent (0%) per annum from the date of delivery to and including the 20 year life of the loan, which principal shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year commencing June 1, 1995, shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bond.

(B) The Bond shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bond shall be as provided in the Resolution, and the Bond shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bond by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby appoints and designates Bank One, West Virginia, Charleston, National Association,

Charleston, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, Charleston, National Association, Charleston, West Virginia, as Registrar for the Bond.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bond.

Section 7. The Chairman and Secretary/Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bond hereby and by the Resolution approved and provided for, to the end that the Bond may be delivered to the Authority pursuant to the Loan Agreement on or about June 8, 1995.

Section 8. The financing of the Project in part with proceeds of the Bond is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bond or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 11. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: June 6, 1994

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary/Treasurer

SHADY SPRING PUBLIC SERVICE DISTRICT

$151,800.00 SEWERAGE SYSTEM

REVENUE BOND, SERIES 1996A

BOND RESOLUTION
(SRF)

SHADY SPRING PUBLIC SERVICE DISTRICT
$151,800 SEWERAGE SYSTEM REVENUE BOND, SERIES 1996A

BOND RESOLUTION

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SHADY SPRING PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE PLANNING, DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH PLANNING AND DESIGN AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $151,800 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1996A, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of each Bond, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"Bond" or "Bonds" means the Shady Sring Public Service District Sewerage System Revenue Bond, Series 1996A, originally authorized hereby, and any pari passu additional bonds hereafter

issued within the terms, restrictions and conditions contained in this Resolution.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bond in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bond for a portion of the proceeds representing the purchase of the Bond by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Bond Construction Trust Fund and the subaccounts therein established by Section 5.01(3).

"Consulting Engineers" means L. A. Gates Company, BeckleyWest Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the planning and design of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04G hereof to be a part of the cost of planning, design, construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1996A Bond, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the 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 thereof.

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable

Regulations) of obligations issued to refund in whole or in part the Bond;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to 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), or any Tap Fees, as hereinafter defined.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" or "District" means the Shady Spring Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund Loan Agreement dated March 1, 1996, by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority which are attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts. For purposes of the Private Business use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

"Original Bonds" or "Bonds" means the not to exceed $151,800 Shady Spring Public Service District Sewerage System Revenue Bond, Series 1996A.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds Series 1982A, dated August 1, 1982, issued in the original principal amount of $2,680,000, the District's Sewer Revenue Bonds Series 1982B issued in the original principal amount of $795,515 and the District's Sewer Revenue Bonds Series 1994A issued in the original amount of $170,532.

"Prior Resolution" means the Bond Resolution adopted by the Board with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without

limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" shall mean the planning and design of certain extensions, additions, betterments and improvements to the sewerage facility program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" means the planning and design of certain extensions, additions, betterments and improvements to the sewerage facility by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. 95-0598-PSD-PC which grants the Issuer approval of financing and approval of rates.

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

(a) Government Obligations;

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

(c) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal

agency and backed by the full faith and credit of the United States of America;

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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;

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended; and

(h) Advance-Refunded Municipal Bonds.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01(2).

"Reserve Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) and 5.02(2)(a) hereof.

"Reserve Requirements" means as of any date of calculation the maximum amount of principal and interest with will become due on the Bonds in the then current or any succeeding year.

"Resolution" shall mean this Resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(1).

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

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

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

"Series 1982 A Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(P) issued August 1, 1982, in the aggregate principal amount of $2,680,000.

"Series 1982 B Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(P) issued August 1, 1982 in the original amount of $795,515.

"Series 1994 A Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.104(P) issued June 8, 1994.

"Sinking Funds" mean the Sinking Funds established by Section 5.02(1) and 5.02(2) hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution or the Prior Resolution to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Projects.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto, both within and without the boundaries of the District, and shall include any extensions, additions, betterments and improvements thereto, including the facility, hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without said District.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bond, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bond, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

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

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be planned and designed and then acquired and constructed, the Project, consisting of certain improvements, extensions or betterments to the existing System, as described in Exhibit A attached hereto at an estimated cost of $2,346,000, in accordance with plans and specifications to be prepared by the Consulting Engineers, which

plans and specifications following approval by DEP will be on file with the District.

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 the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and the Prior Bonds and all sinking funds, reserve accounts and other payments provided for herein and in the PSC Order.

E. The estimated maximum cost of the planning and designs of the Project are $151,800, which will be permanently obtained from the Bonds herein authorized. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Costs of the Projects.

F. The period of usefulness of the System after completion of the Projects will not be less than twenty (20) years.

G. It is deemed necessary for the Issuer to issue its sewerage revenue bonds in the aggregate principal amount of not more than $151,800, initially to be represented by a single bond, being the Shady Spring Public Service District Sewerage System Revenue Bond, Series 1996A, to permanently finance the costs of planning and designs of the Project. Said costs shall be deemed to include the cost of all planning and designs deemed necessary or convenient therefor; interest on the Bonds prior to and during construction or acquisition and for six months following completion of and the placing of construction of the Project; amounts which may be deposited in the Reserve Account; engineering, fiscal agents and legal expenses; expenses for estimates of cost and revenue; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, any fees or expenses of the Authority or DEP and any defaulted interest thereon, commitment fees, discount, initial fees for the service of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bond, and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project, and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided,

that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of the indebtedness incurred by the Issuer for such purposes shall be deemed part of the Cost of the Project.

H. It is in the best interests of the Issuer that the Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreements.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the planning and design of the Project and the issuance of the Original Bonds for the design phase of the Project. Following the planning phase of the Project, the Issuer shall submit a pre-application to the WVIJDC prior to completing the design portion of the Project. The Issuer has obtained an order approving rates and approving financing from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will have expired or will have been waived prior to the issuance of the Original Bonds.

J. The Issuer will not permit, at any time, any of the proceeds of the Bond or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code.

K. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bond.

L. The Bond will not be federally guaranteed within the meaning of the Code.

M. It is reasonably anticipated that all proceeds of the Bond will be spent within three years from the date of issuance.

N. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows:

Designation	Lien Position
Water Development Authority - Sewer Revenue Bonds, Series 1982 A, dated August 1, 1982,, issued in the original aggregate principal amount of $2,680,000 (the "Series 1982 A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1982 B dated August 1, 1982, issued in the original principal amount of $795,515 (the "Series 1982 B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1994 A dated June 6, 19, issued in the original principal amount of $170,532 (the "Series 1994 A Bonds").	First Lien (Parity)

The Series 1982 A Bonds, the Series 1982 B Bonds, and the Series 1994 A Bonds are hreinafter called the "Prior Bonds."

The Bonds shall be issued on a parity with the Prior Bonds with respect to the liens, pledge and source of and security for payment and in all other respects the Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolution. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

O. The Issuer has, by certification from an independent certified public accountant, met the parity test of Section 7.07 of the Prior Resolution.

ARTICLE II

AUTHORIZATION OF PLANNING AND DESIGN OF THE PROJECT

Section 2.01. Authorization of Planning and Design of the Project. There is hereby authorized the design of plans and specifications for the Project by the Consulting Engineers as described in the Program application.

Section 2.02. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the acquisition and construction of the Project in accordance with plans and specifications therefor prepared by the Consulting Engineers, to be approved by DEP and the District and to be filed in the office of the Board.

Prior to issuing the Bonds for the acquisition and construction of the Project, the District must receive acceptable bids or enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Program.

ARTICLE III

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

Section 3.01. Authorization of Bond. For the purposes of financing a portion of the costs, not otherwise provided, of the planning and design of the Project, funding a reserve account for the Bond, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $151,800 for the Series 1996A Bond. Said Bonds shall be issued as one bond to be designated "Shady Spring Public Service District Sewerage System Revenue Bond, Series 1996A." Original Bonds shall be dated as of the date of delivery thereof, shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of issuance, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bonds shall not bear interest during the construction

period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Bonds shall be as set forth on Schedule Y to the Loan Agreement. The Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and each Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Bonds.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Bond shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of bonds may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution.

Said Bonds shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bond. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bonds to the Authority, the District covenants that the Bonds shall comply in all respects with the provisions of each Loan Agreement and of any resolution of the Authority and/or DEP.

Section 3.04. Execution of Bond. 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-Treasurer. 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 Series 1996A Bond has 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 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other bonds issued hereunder.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien

on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, the Reserve Account therein and in the Renewal and Replacement Fund hereinafter continued or established and to make the payments requested by this Resolution and the Prior Resolution, and are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due.

Section 3.10. Form of Series 1996A Bond. The text of the Series 1996A Bond shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof.

[Form of Series 1996A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND, SERIES 1996A

No. AR-1 $151,800

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 Fifty-OnerThousand Dollars ($151,800), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in installments on the 1st day of December, the 1st day of March, the 1st day of June and the 1st day of September in each year beginning December 1, 1996, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of two percent (2%) per annum as set forth on said Exhibit B.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the 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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated March 1, 1996, among the Authority, the DEP and the Issuer.

This is issued in the aggregate principal amount of $151,800 (i) to pay the costs of planning and design of certain improvements and extensions to the existing 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 Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the Issuer on the 15th day of April, 1996, and a Supplemental Resolution adopted by the Issuer on the 15th day of April, 1996 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND RANKS EQUALLY AS TO LIEN AND SECURITY WITH THE PRIOR BONDS, AS DEFINED IN THE RESOLUTION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bond (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest, if any, on all

obligations on a parity with or prior to the Bonds including the Prior Bonds, payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on said Bond in the then current year or any succeeding year and the reserve account for any other obligations outstanding on a parity with the Bond including the Prior Bonds, is funded at 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 Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, National Association, 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, shall be applied solely to the payment of the costs of the Project described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed

any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, SHADY SPRING 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-Treasurer, and has caused this Bond to be dated _____, 1996.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1996A Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 1996

BANK ONE, NATIONAL ASSOCIATION
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

Form of Assignment

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreements with Authority and DEP. The Bonds for each phase shall be sold to the Authority pursuant to the terms and conditions of the respective Loan Agreements. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute each Loan Agreement and the Secretary-Treasurer is directed to affix the seal of the Issuer thereto, attest the same and deliver each Loan Agreement to the Authority, and any such prior execution and delivery of the Loan Agreements are hereby authorized, ratified and approved.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreements to the effect that the Project have been or will be planned and designed as provided in the Engineering Services Agreement titled, dated _____, between the Issuer and the Consulting Engineers and the Loan Agreements.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created 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 (or continue pursuant to Prior Resolution):

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Bond Construction Trust Funds and therein.

(a) Series A Subaccount

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1996A Bond Sinking Funds;

(a) Within the Series 1996A Bond Sinking Funds, the Series 1996A Bond 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 created pursuant to Section 5.03 of the Prior Resolution and which is continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided. As long as the Prior Bonds are Outstanding, the Issuer shall make the payments required by Section 5.03A of the Prior Resolution and simultaneously make the payments set forth hereinafter.

(1) The Issuer shall, each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

(2) The Issuer shall first, on the first day of each month simultaneously with the payment required by Section 5.03A(2) of the Prior Resolution, commencing 4 months prior to the first date of payment of interest on the Series 1996A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1996A Bond Sinking Fund, a sum equal to 1/3rd of the amount of interest which will mature and become due on said Series 1996A Bond on the next ensuing quarterly payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1996A Bond Sinking Fund and the next quarterly payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly payment date.

(3) The Issuer shall first, on the first day of each month simultaneously with the payment required by Section 5.03A(3) of the Prior Resolution, commencing 4 months prior to the first date of payment of principal on the Series 1996A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1996A Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1996A Bond 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 1996A Bond Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

The Issuer shall complete the "Monthly Payment Form," the form of which is attached to each Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its remittance checks to the Authority by the 5th day of such calendar month.

(4) The Issuer shall next transfer from the Revenue Fund and pay to the Commission the amounts required on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 1996A Bond and simultaneously with the payment by Section 5.03A(4) of the Prior Resolution, if not fully funded upon issuance of the Series 1996A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1996A Reserve Account, an amount equal to 1/120 of the Series 1996A Reserve Requirement; provided, that no further payments shall be made into the Series 1996A 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 1996A Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolution, not in addition to). 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 1996A Bond Reserve Account [except to the extent such deficiency

exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1996A Bond Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1996A Bond as the same shall become due. Moneys in the Series 1996A Bond Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Series 1996A Bond as the same shall come due, when other moneys in the Sinking Funds are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Projects and thereafter, to the Sinking Funds.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to an amount below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Funds for payment of debt service on the Bond have been made in full.

B. As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the Sinking Funds sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in an amount equal to the Reserve Requirements.

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 Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Sinking Funds, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

I. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to each Loan Agreement.

Section 5.04. Excess Bond Proceeds. The Issuer shall place any proceeds from the Bonds not required for the Project Costs in the respective Reserve Account to the extent that the balances therein are not equal to the respective Reserve Requirements.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. The moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the appropriate subaccount in the Bond Construction Trust Fund established in Section 5.01(3) hereof.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Projects and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Projects shall be made monthly.

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

(1) A "Payment Requisition Form," attached to each Loan Agreement as Exhibit C, and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

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

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

(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 Issuer shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Prior to the payment of design costs of Project, the Issuer shall receive approval from the WVIJDC and DEP.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any owner or owners of the Bond as if they were set forth in full in this Resolution. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Bond as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is Outstanding and unpaid.

Section 7.02. Bond not to be Indebtedness of the Issuer. The Bond shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or

Owners of any Bond shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bond or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Original Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Prior Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Account therein, and all other payments provided for in the Prior Resolution and this Resolution 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 this Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bond, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder . Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of

principal of and interest on the Bond; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and is funded at least at the requirement provided for in the Resolution, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bond.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Projects and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Upon completion of the Projects, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Projects and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law and the terms of the Prior Resolution, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds and Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall

be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and prior, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such prior obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

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

The Issuer shall give the Authority and the DEP prior written notice of its issuance of any other obligations to be issued for the System, payable from the revenues of the System or

from any grants for the Projects, or any other obligations related to the Projects or the System.

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be

derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

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

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

superior lien of the Outstanding 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 Bond.

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

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Projects as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Projects; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to

complete the Projects, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of any construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bond. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Projects, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with each Loan Agreement, during construction of the Projects in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in each Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

The Issuer shall require all contractors engaged in the construction of the Projects 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 Projects covered by the particular contract as security for the faithful performance of such contract.

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the DEP.

Section 7.11. Compliance With Loan Agreements, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of each Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the planning and design of the Projects and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of planning and designing the Projects. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Projects, the operation and maintenance of the System and the administration of each Loan Agreement or other sources of financing for the Projects.

The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all records pertaining

to the operation of the System at all reasonable times following completion of construction of the Projects and commencement of operation thereof, or, if the Projects is an improvement to an existing system, at any reasonable time following commencement of construction.

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

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Council shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and each Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Projects and for two years following the completion of the Projects, each month complete a Monthly Financial Report, the form of which is attached to each Loan Agreement as Exhibit B and is incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Projects, complete Payment Requisition Forms, the form of which is attached to each Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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

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

of the powers and rights of the Authority and the DEP with respect to the System pursuant to the Act.

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or

building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the 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 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Projects and as otherwise set forth herein, and the Projects will be solely operated as a public purpose and as local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bond or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bond.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan (other than loans

constituting Nonpurpose Investments) to persons other than state or local government units.

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

E. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax exempt status of the Bonds, including without limitation the information return required under Section 149(e) of the Code.

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludible from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds. This lien is on a parity with the lien of the Prior Bonds.

Section 7.20. Compliance. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the acquisition and construction of the Projects and the operation, maintenance and use of the System.

Section 7.21. Completion of Projects; Permits and Orders. The Issuer will complete the Projects as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

Following the planning and design of the Projects, the Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Projects and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Projects and the operation of the System.

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Sections 8.02 and 8.03.

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall

not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bond, so that the Bond will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return) with respect to the Bonds so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate. The Issuer will perform or have performed in rebate calculations required by the Code and will remit any rebate as required under the Code.

Section 8.04. Restriction of Yield and Bond Proceeds. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Resolution, any Supplemental Resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Construction Trust Fund

Depository Bank, the Bond Registrar, any Paying Agent or a Holder of a Bond; or

(3) If a default occurs under this Resolution;

(4) If a default occurs under the Prior Resolution; or

(5) 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment

and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of

this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that

would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds and the Notes from the gross income of the Owners thereof.

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

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

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolution, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolution, the more restrictive provision shall prevail.

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

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

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

Adopted this 15th day of April, 1996.

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CHASFS3:30986

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 15th day of April, 1996.

Dated: April 15, 1996.

[SEAL]

Secretary, Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECTS

***Project Description* - Planning and Design Phase for the Collection System in the Tilden Area.**

A facilities plan and construction drawings will be prepared for a collection system for waste water for the purpose of transporting the same _____.

EXHIBIT B

LOAN AGREEMENT

[See Tab 6(b)]

EXHIBIT C

SCHEDULE OF RATES

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, DESIGNATING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; APPROVING LOAN AGREEMENTS WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on April 15, 1996 (the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE PLANNING, DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH PLANNING AND DESIGN AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $151,800 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BOND, SERIES 1996A, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewerage System Revenue Bond, Series 1996A (the "Series 1996A Bond"), in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement entered into between the District, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment for the Series 1996A Bond (the "Loan Agreement"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution;

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

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bonds be fixed hereby in the manner stated herein; that the Loan Agreements be approved; and that other matters relating to the Bonds be herein provided for; and

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be in the aggregate principal amount of $151,800, with the following provisions:

(A) The Series 1996A Bond shall be originally issued in the form of a single bond, numbered AR-1 in the principal amount not to exceed $151,800. The Series 1996A Bond shall be dated the date of delivery thereof, shall finally mature September 1, 2016 and shall bear interest at the rate of two percent (2%) per annum, commencing December 1, 1996. Both principal of and interest on the Series 1996A Bonds are payable quarterly on each December 1, March 1, June 1, and September 1 of each year. The Series 1996A Bonds shall be subject to redemption upon the written consent of the Authority, upon payment of principal, interest and redemption premium, if any, and subject to the other requirements provided in the Loan Agreement, as long as the Authority or DEP shall be the registered owner of the Series 1996A Bond, and shall be payable in installments of principal and interest in the amounts set forth on Schedule Y attached to the Loan Agreement and

incorporated therein by reference. The District shall pay the 1% Administration Fee as provided in the Resolution and the Loan Agreement.

(B) The Bonds shall be executed by Chairman of the Board of the District by his manual signature and attested by the Secretary of the Board of the District by his manual signature and the seal of the District shall be impressed thereon. The seal impressed upon this Resolution is hereby adopted as the official seal of the District. The Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" and "Schedule Y" attached thereto, 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 District have been and are hereby authorized, ratified, approved and directed. The District hereby affirms all covenants and representations made in the Loan Agreement in the Application to the DEP and the Authority. The price of the respective Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds will be advanced from time to time as requisitioned by the District

Section 4. The District hereby appoints and designates Bank One, West Virginia, NA, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, NA, 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 District and the Registrar, 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 District are hereby authorized, approved and directed.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bonds.

Section 7. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about April 25, 1996.

Section 8. The proceeds of the respective Bonds, as advanced from time to time, shall be deposited in or credited to the respective Bond Construction Trust Fund subaccounts, as received from time to time for payment of Costs of the Project, including costs of issuance of the respective Bonds.

Section 9. The District will prefund the Series 1996A Bond Reserve Account ($00.00) with the deposit being made to the Commission at the closing.

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 District and will promote the health, welfare and safety of the residents of the District.

Section 11. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolutions in Qualified Investments further directed by the District.

Section 12. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as a "private activity bond" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: April 23, 1996

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary

30917

6(b) Certified Copy of Series 1997C Bond Resolution and Supplemental Resolution of the Issuer adopted on June 12, 1997

SHADY SPRING PUBLIC SERVICE DISTRICT
(SRF)

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997C, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"ARC" means the Appalachian Regional Commission and any successors to the funds of the ARC.

"ARC Grant" means the grant from ARC in the amount of $715,200.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of each Bond, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"Bond" or "Bonds" means the Shady Spring Public Service District Sewerage System Revenue Bond, Series 1997C, originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bond in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bond for a portion of the proceeds representing the purchase of the Bond by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01(3).

"Consulting Engineers" means L. A. Gates Company, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the planning and design of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04G hereof to be a part of the cost of planning, design, construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1997C Bond, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the 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 thereof.

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct

obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(I) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds

[as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to 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), or any Tap Fees, as hereinafter defined.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" or "District" means the Shady Spring Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund Loan Agreement dated May 6, 1997, by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts. For purposes of the Private Business use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

"Original Bonds" or "Bonds" means the not to exceed $2,500,000 Shady Spring Public Service District Sewerage System Revenue Bond, Series 1997C.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if

applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds, Series 1982B, issued in the original principal amount of $795,515 (the "Series 1982B Bonds"), the District's Sewer Revenue Bonds, Series 1994A, issued in the original amount of $170,532 (the "Series 1994A Bonds") and the District's Sewer Revenue Bonds, Series 1996A, issued in the aggregate amount of $151,800 (the "1996A Bonds," and collectively with the Series 1982B Bonds and the Series 1994A Bonds, the "Prior Bonds").

"Prior Resolutions" means the Bond Resolutions adopted by the Board with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" shall mean the planning and design of certain extensions, additions, betterments and improvements to the sewerage facility program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the sewerage facility by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. _____ which grants the Issuer approval of financing and approval of rates.

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

(a) Government Obligations;

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

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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;

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended; and

(h) Advance-Refunded Municipal Bonds.

"USDA Rural Utilities Service" or "Government" means the USDA Rural Utilities Service.

"USDA Rural Utilities Service Grant" means the grant from USDA Rural Utilities Service or Government in the amount of $910,000.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01(2).

"Reserve Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

"Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest with will become due on the Bonds in the then current or any succeeding year.

"Resolution" shall mean this Resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(1).

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

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

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

"Series 1982 A Bonds" means the Sewer Revenue Bonds of Issuer issued August 1, 1982, in the aggregate principal amount of $2,680,000, to be refunded simultaneously herewith the Issuer's Sewer Revenue Refunding Bonds, Series 1997D.

"Series 1982 B Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(N) issued August 1, 1982, in the original amount of $795,515.

"Series 1994 A Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(N) issued June 8, 199,4 issued in the original amount of $170,532.

"Series 1996A Bonds" means the Sewerage Revenue Bonds of the Issuer described in Section 1.04(N) issued in the original amount of $151,800.

"Series 1997B Bonds" means the Sewer Revenue Bonds of the Issuer issued simultaneously herewith in the original amount of $179,000.

"Series 1997D Bonds" means the Sewer Revenue Bonds of the Issuer issued simultaneously herewith for the purpose of refunding the Series 1982A Bonds.

"Sinking Fund" mean the Sinking Fund established by Section 5.02(1) hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution or the Prior Resolutions to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Projects.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto, both within and without the boundaries

of the District, and shall include any extensions, additions, betterments and improvements thereto, including the facility, hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without said District.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bond, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bond, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

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

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed, the Project, consisting of certain improvements, extensions or betterments to the existing System, as described in Exhibit A attached hereto at an aggregate estimated cost of $4,001,504, in accordance with plans and specifications to be prepared by the Consulting Engineers, which plans and specifications following approval by DEP will be on file with the District.

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 the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and the Prior Bonds and the Series 1997B Bonds and the Series 1997D Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the acquisition and construction of the Project is $4,001,504, which will be permanently obtained from the Bonds herein authorized and the Series 1997B Bonds, issued simultaneously herewith, and an ARC Grant and RUS Grant. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Costs of the Projects.

F. The period of usefulness of the System after completion of the Projects will not be less than twenty (20) years.

G. It is deemed necessary for the Issuer to issue its sewerage revenue bonds in the aggregate principal amount of not more than $2,500,000, initially to be represented by a single bond, being the Shady Spring Public Service District Sewerage System Revenue Bond, Series 1997C and $170,000, initially to be represented by a single bond, being the Shady Spring Public Service District Sewerage System Revenue Bond, Series 1997B, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or

appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the Tap Fee; the cost of interim financing for such Project; interest on the bonds, prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said acquisition and construction of the project and placing the same in operation and the financing authorized by this Resolution.

H. It is in the best interests of the Issuer that the that the Series 1997B Bonds be sold to RUS pursuant to the terms and provisions of the Letter of Conditions and the Series 1997C Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

I. It is in the best interest of the Issuer and the Issuer is hereby authorized and empowered to issue revenue refunding bonds to refund, pay or discharge all or any part of its outstanding Series 1982A Bonds. The Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Series 1982A Bonds. The Issuer hereby determinesd that it will be to the benefit of the Issuer and its residents to advance-refund the Series 1982A Bonds by applying the proceeds of the Series 1997D Bonds and certain other monies to purchase obligations of the United States goverment to be deposited in the Escrow Fund pursuant to the terms of the Escrow Agreement to redeem the Series 1982A Bonds on the first permitted Redemption Date, in the maximum aggregate principal amount of not to exceed $3,600,000, and other moneys of the Issuer, such Series 1997 D Bonds to be secured by and payable from the Net Revenues of the System, on a parity with the Prior Bonds, the Series 1997B Bonds and Series 1997C Bonds.

J. It is in the best interests of the Issuer that its Series 1997D Bonds be sold to the Water Development Authority pursuant to a Loan Agreement and made a part hereof, to take advantage of the favorable terms available to the Issuer.

K. It is deemed necessary for the Issuer to issue its revenue bonds, being the Shady Spring Public Service District Sewer Refunding Revenue Bonds, Series 1997D Bonds in the aggregate principal amount of not more than $3,600,000 to permanently finance the cost of refunding the District's Series 1982A Bonds. Said costs shall be deemed to include the cost of paying in full the entire outstanding principal of, the redemption premium, if any, and the interest on, the Series 1982A Bonds; amounts which may be deposited in the Reserve Account; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees 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 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized and the performance of the things herein required or permitted, in connection with any thereof.

L. It is in the best interests of the Issuer that the Series 1997D Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

M. 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, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired and the written approval of the West Virginia Infrastructure and Jobs Development Council.

N. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows:

Designation	Lien Position
Water Development Authority - Sewer Revenue Bonds, Series 1982B dated August 1, 1982, issued in the original principal amount of $795,515 (the "Series 1982 B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1994A dated June 6, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1996A dated April 25, 1996, issued in the original principal amount of $151,800 (the "1996A Bonds").	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds and the Series 1996A Bonds First Lien (Parity) are hereinafter called the "Prior Bonds."

The Bonds shall be issued on a parity with the Prior Bonds and with the Series 1997B Bonds and Series 1997D Bonds issued simultaneously herewith with respect to the liens, pledge and source of and security for payment and in all other respects the Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Other than the Prior Bonds and the Series 1997B Bonds and Series 1997D Bonds issued simultaneously herewith, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

O. The Issuer has, by certification from an independent certified public accountant, met the parity test of Section 7.07 of the Prior Resolutions.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the acquisition and construction of the Project in accordance with plans and specifications prepared by the Consulting Engineers, approved by DEP and the Issuer and is on file in the office of the Board.

Prior to issuing the Bonds for the acquisition and construction of the Project, the Issuer must receive acceptable bids or enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Program.

ARTICLE III

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

Section 3.01. Authorization of Bond. For the purposes of financing a portion of the costs, not otherwise provided, of the acquisition and construction of the Project, funding a reserve account for the Bond, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $2,500,000 for the Series 1997C Bond. Said Bonds shall be issued as one bond to be designated "Shady Spring Public Service District Sewerage System Revenue Bond, Series 1997C." Original Bonds shall be dated as of the date of delivery thereof, shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of completion, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Bonds shall be as set forth on Schedule Y to the Loan Agreement. The Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Bonds.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Bond shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the

amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of bonds may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bond. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bonds to the Authority, the District covenants that the Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority and/or DEP.

Section 3.04. Execution of Bond. 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-Treasurer. 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 Series 1997C Bond has 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 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so

surrendered shall be 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.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other bonds issued hereunder.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds, the Series 1997B Bonds and the Series 1997D Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds, the Series 1997B Bonds, the Series 1997D Bonds and the Bonds and to make the payments into the Sinking Funds, the Reserve Account therein and in the Renewal and Replacement Fund hereinafter continued or established and to make the payments requested by this Resolution, the Prior Resolutions, the Series 1997B Bonds Resolution and the Series 1997D Bonds Resolution, and are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due.

Section 3.10. Form of Series 1997C Bond. The text of the Series 1997C Bond shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof.

[Form of Series 1997C Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND, SERIES 1997C

No. AR-1 $2,197,304

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of Two Million One Hundred Ninety-Seven Thousand Three Hundred and Four and 00/100 Dollars ($2,197,304), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in installments on the 1st day of December, the 1st day of March, the 1st day of June and the 1st day of September in each year beginning December 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of two percent (2%) per annum as set forth on said Exhibit B. The SRF Administrative Fee shall also be payable quarterly on the 1st day of December, the 1st day of March, the 1st day of June and the 1st day of September of each year beginning December 1, 1998 as set forth on Exhibit B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the 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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated May 6, 1997, among the Authority, the DEP and the Issuer.

This Bond is issued in the aggregate principal amount of $2,197,304 (i) to pay the costs of acquisition and construction of certain improvements and extensions to the existing 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 Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the Issuer on the 12th day of June, 1997, and a Supplemental Resolution adopted by the Issuer on the 12th day of June, 1997 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED IN THE RESOLUTION, AND THE SERIES 1997B BONDS AND THE SERIES 1997D BONDS ISSUED SIMULTANEOUSLY HEREWITH.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1997B Bonds and Series 1997D Bonds issued simultaneously herewith, and moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bond (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest, if any, on all obligations on a parity with or prior to the Bonds including the Prior Bonds and the Series 1997B Bonds and Series 1997D Bonds issued simultaneously herewith, payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on said Bond in the then

current year or any succeeding year and the reserve account for any other obligations outstanding on a parity with the Bond including the Prior Bonds and the Series 1997B Bonds and Series 1997D Bonds, is funded at 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 Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, National Association, 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, shall be applied solely to the payment of the costs of the Project described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

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

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

IN WITNESS WHEREOF, SHADY SPRING 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-Treasurer, and has caused this Bond to be dated June 24, 1997.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997C Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 1997.

_____, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

SEE LOAN AGREEMENT TAB NO. 9

Form of Assignment

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary-Treasurer is directed to affix the seal of the Issuer thereto, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery of the Loan Agreement is hereby authorized, ratified and approved.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers, in the form attached to the SRF Loan Agreement, to the effect that the Project has been designed as provided in the Program application and will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, that the Project will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of the acquisition and construction of the Project.

Section 3.11. Amended Schedule A Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority its schedule, in substantially the form of "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created 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 (or continue pursuant to Prior Resolutions):

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1997C Bond Sinking Funds;

(a) Within the Series 1997C Bond Sinking Funds, the Series 1997C Bond 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 created pursuant to Section 5.03 of the Prior Resolutions and which is continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided. As long as the Prior Bonds are Outstanding, the Issuer shall make the payments required by Section 5.03A of the Prior Resolutions and simultaneously make the payments set forth hereinafter.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the fifteenth day of each month commencing on the fifteenth day of the month following the month of delivery of the Series 1997B Bonds, make the payments required by Section 5.03A(2) of the Prior Resolutions and (a) shall simultaneously therewith apportion and set apart out of the Revenue Fund and remit to the office and place designated by the Series 1997B Bonds (herein called the "Sinking Fund") the monthly payment of interest set forth in the Supplemental Resolution or such lesser amount as is required to pay the interest on the Series 1997B Bonds as evidenced by the Record of Advances and Payments attached to the Series 1997B Bonds as set forth in the Bond form in Section 3.10. If funds in the reserve fund are not sufficient to make all the payments required by this section, the Issuer shall apportion and prorate the funds available to the payments required herein; and (b) commencing on the first day of each month simultaneously with the payments required by this Section, 4 months prior to the first date of payment of interest on the Series 1997C Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997C Bond Sinking Fund, a sum equal to 1/3rd of the amount of interest which will mature and become due on said Series 1997C Bond on the next ensuing quarterly payment date; provided that, in the event the period to elapse between the date of such initial

deposit in the Series 1997C Bond Sinking Fund and the next quarterly payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly payment date and (c) commencing on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission, commencing 7 months prior to the first date of payment of interest on the Series 1997D 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 1997D Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1997D 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 1997D 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.

(3) Next from the moneys in the Revenue Fund, the Issuer shall (a) on the fifteenth day of each month, as provided by the Supplemental Resolution, make the payment required by Sections 5.03A(3) of the Prior Resolutions and simultaneously therewith shall apportion and set apart from the Revenue Fund and remit to the Sinking Fund the monthly payment of principal set forth in the Supplemental Resolution or such lesser amount as is evidenced by the Record of Advances and Payments attached to the Series 1997B Bond as set forth in the Bond form in Section 3.10, such amount or amounts being the amount required to amortize the principal of the Series 1997B Bonds over the life of the Bonds. If funds in the reserve fund are not sufficient to make all the payments required by this section, the Issuer shall apportion and prorate the funds available to the payments required herein; and (b) commencing on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Series 1997C Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997C Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997C Bond 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 1997C Bond Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date and (c) commencing on the first day of each month, 4 months prior to the first date of payment of principal on the Series 1997D Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997D Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997D Bond 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 1997D Bond Sinking Fund and the next quarterly principal payment date is less than 4 months, then

such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date

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The deposits to the Sinking Fund provided in this paragraph and in (2), above, constitute actual payments of principal and interest on the Bonds issued to RUS. The amounts required for principal and interest payments on the Bonds issued hereunder other than to RUS shall be deposited in a sinking fund created by a Supplemental Resolution.

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

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 5.03 A(4) of the Prior Resolution and simultaneously therewith (a) deposit in a Reserve Account at the Depository Bank (herein the "Reserve Account"), or in the case of Bonds other than the Series 1997B Bonds originally authorized hereby in a reserve account in a sinking fund created by Supplemental Resolution or otherwise as designated by a Supplemental Resolution, on the fifteenth day of each month of each year beginning with and including the month in which payments from the Revenue Fund for interest on the Series 1997B Bonds are commenced, an amount equal to one tenth (1/10) of the amount deposited into the Sinking Fund, as set forth above. If funds in the reserve fund are not sufficient to make all the payments required by this section, the Issuer shall apportion and prorate the funds available to the payments required herein; and (b) commencing on the first day of each month, 3 months prior to the first date of payment of principal of the Series 1997C Bond, if not fully funded upon issuance of the Series 1997C Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997C Reserve Account, an amount equal to 1/120 of the Series 1997C Reserve Requirement; provided, that no further payments shall be made into the Series 1997C 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 1997B Reserve Requirement; and (c) commencing on the first day of each month, 3 months prior to the first date of payment of principal of the Series 1997D Bond, if not fully funded upon issuance of the Series 1997D Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997D Reserve Account, an amount equal to 1/120 of the Series 1997D Reserve Requirement; provided, that no further payments shall be made into the Series 1997D 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 1997D Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolutions, not in addition to). 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 1997B Bond Reserve Account, the Series 1997C Bond Reserve Account, or the Series 1997D Bond Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1997C Bond Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1997C Bond as the same shall become due: Moneys in the Series 1997C Bond Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Series 1997C Bond as the same shall come due, when other moneys in the Sinking Funds are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Projects and thereafter, to the Sinking Funds.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to an amount below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Funds for payment of debt service on the Bond have been made in full.

B. As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the Sinking Funds sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in an amount equal to the Reserve Requirements.

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 Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

I. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

Section 5.04. Excess Bond Proceeds. The Issuer shall place any proceeds from the Bonds not required for the Project Costs in the respective Reserve Account to the extent that the balances therein are not equal to the respective Reserve Requirements.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. The moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the appropriate subaccount in the Bond Construction Trust Fund established in Section 5.01(3) hereof.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Projects and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Projects shall be made monthly.

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

(1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

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

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

(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 Issuer shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any owner or owners of the Bond as if they were set forth in full in this Resolution. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Bond as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is Outstanding and unpaid.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Original Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Prior Bonds, the Series 1997B Bonds and the Series 1997D Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Account therein, and all other payments provided for in the Prior Resolutions, the Series 1997B Bonds Resolution, the Series 1997D Bonds Resolution and this Resolution 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 this Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bond, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder . Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and

charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and is funded at least at the requirement provided for in the Resolution, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bond.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Projects and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Upon completion of the Projects, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Projects and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law and the terms of the Prior Resolutions, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds and Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of

all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and prior, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such prior obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

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

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

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive

months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

All the covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the owners of the Original Bonds and the owners of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this Section. All the Bonds, regardless of the time or times of their issuance shall rank equally

with respect to their respective liens on the revenues of the System, and their respective sources of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds created in this Resolution required for and on account of such additional Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

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

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

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Projects as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Projects; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Projects, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of any construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bond. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Projects, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Projects in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

The Issuer shall require all contractors engaged in the construction of the Projects 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 Projects covered by the particular contract as security for the faithful performance of such contract.

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authorityand the DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers. Such resident engineer shall certify to the Authority, the DEP and the Issuer, at the completion of construction, that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the

DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer agrees that it will, at all times, provide operation and maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel, properly certified by the State, will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

The Issuer agrees that qualified operating personnel, properly certified by the State, will be retained to operate the System during the entire term of the Loan Agreement.

Section 7.11. Compliance With Loan Agreements, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the planning and design of the Projects and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees,

rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquisition and construction of the Projects. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Projects, the operation and maintenance of the System and the administration of the Loan Agreement or other sources of financing for the Projects.

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

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

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Authority shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Projects and for two years following the completion of the Projects, each month complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and is incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Projects, complete Payment Requisition Forms, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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

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

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and

shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the 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 7.18. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds. This lien is on a parity with the lien of the Prior Bonds, the Series 1997B Bonds and the Series 1997D Bonds issued simultaneously herewith.

Section 7.19. Compliance. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the acquisition and construction of the Projects and the operation, maintenance and use of the System.

Section 7.20. Completion of Projects; Permits and Orders. The Issuer will complete the Projects as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Sections 8.02 and 8.03.

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

ARTICLE IX

DEFAULT AND REMEDIES

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds, the Series 1997B Bonds, the Series 1997C Bonds, the Series 1997D Bonds or the Prior Bonds; or

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

(3) If a default occurs under this Resolution;

(4) If a default occurs under the Prior Resolutions; or

(5) 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (I) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

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

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds, the Series 1997B Bonds and the Series 1997D Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be

sufficient to pay when due the principal installments of and interest due and to become due on the Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds and the Notes from the gross income of the Owners thereof.

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

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

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

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

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

Adopted this _____ day of _____, 1997.

SHADY SPRING PUBLIC SERVICE DISTRICT

_____
Chairman, Public Service Board

_____
Member, Public Service Board

_____
Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the ___ day of _____, 1997.

Dated: _____ ____, 1997.

[SEAL]

Secretary, Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECTS

Project Description ***- Acquisition and Construction Phase for the Collection System in the Tilden Area.***

EXHIBIT B

LOAN AGREEMENT

[See Tab 9]

EXHIBIT C

SCHEDULE OF RATES

SEE TAB 16

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, SERIES 1997C, DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK, AND CONSTRUCTION TRUST FUND DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on June 12, 1997 (the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $2,197,304 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, SERIES 1997C; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BOND; RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BOND; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer Revenue Bond, Series 1997C (the "Bond") in aggregate principal amount not to exceed $2,500,000 n accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bond should be established by a supplemental resolution;

WHEREAS, the Bond is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bond be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bond be herein provided for.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bond shall be in the aggregate principal amount of $2,197,304, with the following provisions:

(A) The Bond shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of $2,197,304. The Bond shall be dated the date of delivery thereof, shall bear interest at the rate of zero percent (0%) per annum from the date of delivery to and including the 20 year life of the loan, which principal shall be payable quarterly on December 1, March 1, June 1 and September 1 of each year commencing December 1, 1998, shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bond. The SRF 1% Administrative Fee shall be paid quarterly.

(B) The Bond shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bond shall be as provided in the Resolution, and the Bond shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bond by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby appoints and designates First State Bank & Trust, Beckley, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, Charleston, National Association, Charleston, West Virginia, as Registrar for the Bond.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bond.

Section 7. The Chairman and Secretary/Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bond hereby and by the Resolution approved and

provided for, to the end that the Bond may be delivered to the Authority pursuant to the Loan Agreement on or about May 6, 1997.

Section 8. The financing of the Project in part with proceeds of the Bond is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bond or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 11. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: June 12, 1997

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary/Treasurer

6(c) Certified Copy of Series 1997D Bond Resolution adopted on June 12, 1997 and Supplemental Resolution of the Issuer adopted on June 19, 1997

BOND RESOLUTION
(WDA)

A RESOLUTION AUTHORIZING THE REFUNDING OF SHADY SPRING PUBLIC SERVICE DISTRICT'S SEWER REVENUE BONDS, SERIES 1982 A AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $3,600,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REFUNDING REVENUE BONDS, SERIES 1997D; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairperson of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

"Bonds" means the Series 1997 D Bonds originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bonds in substantially the form set forth in the Bond Form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Series 1997D Bonds Construction Trust Fund established by Section 5.03.

"Consulting Engineers" means L.A. Gates Company, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be

retained by the Issuer as Consulting Engineers for the System and which engineer or engineering firm shall meet the Program requirements.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1997D Bonds, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 1997D 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 Series 1997D Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by,

the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 1997D 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 Series 1997D 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 Series 1997D Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Series 1997D Bonds ratably as original proceeds of the Series 1997D 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 Series 1997D 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 Series 1997D Bonds Reserve Account and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 1997D Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1997D Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" means the Shady Spring Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Loan Agreement or Loan Agreements to be entered into between the Authority and the Issuer, pursuant to which the Authority shall agree, subject to the Issuer's satisfying certain engineering, legal and other requirements, to purchase the Series 1997D Bonds.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Series 1997D Bonds and is not acquired in order to carry out the governmental purpose of the Series 1997D Bonds.

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

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

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

"Paying Agent" means the West Virginia Municipal Bond Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds, Series 1982B, issued in the original principal amount of $795,515 (the "Series 1982B Bonds"), the District's Sewer Revenue Bonds, Series 1994A, issued in the original principal amount of $170,532 (the "Series 1994A Bonds") and the District's Sewer Revenue Bonds, Series 1996A, issued in the original principal amount of $151,800 (the "1996A Bonds," and collectively with the Series 1982B Bonds and the Series 1994A Bonds, the "Prior Bonds").

"Prior Resolution" means the Bond Resolution adopted by the Board with respect to the Series 1982A Bonds.

"Prior Resolutions" means the Bond Resolutions adopted by the Board with respect to the Prior Bonds.

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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; and

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended.

"Rebate Fund" means the fund created pursuant to Section 8.02 hereof.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.02.

"Resolution" means this resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established by Section 5.01.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" means the Authority's loan program, under which the Authority purchases the revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of sewer development revenue bonds issued by the Authority or any successor to said program as currently constituted.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the Final Order of the PSC in Case No. _____.

"Purchase Price," for the purpose of computation of the Yield of the Series 1997D 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 Series 1997D 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 Series 1997D Bonds of each maturity is sold or, if the Series 1997D Bonds are privately placed, the price paid by the first buyer of the Series 1997D Bonds or the acquisition costs 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 Series 1997D Bonds for acquisition thereof or, if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1997D Bonds.

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

(a) Government Obligations;

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

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

"Series 1982A Bonds" means the Sewer Revenue Bonds of the Issuer issued August 1, 1982, in the aggregate principal amount of $2,680,000 and currently outstanding in the amount of $_____, to be refunded by the Series 1997D Bonds authorized hereunder.

"Series 1982B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(I) issued August 1, 1982, in the original amount of $795,515.

"Series 1994A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(I) issued June 8, 1994, in the original amount of $170,532.

"Series 1996A Bonds" means the Sewerage Revenue Bonds of the Issuer described in Section 1.04(I) issued in the original amount of $151,800.

"Series 1997B Bonds" means the Sewer Revenue Bonds of the Issuer issued simultaneously herewith in the original amount of $179,000.

"Series 1997C Bonds" means the Sewer Revenue Bonds of the Issuer issued simultaneously herewith in the original amount of not to exceed $2,500,000.

"Series 1997D Bonds" means the not more than $3,600,000 in aggregate principal amount of Shady Spring Public Service District Sewer Refunding Revenue Bonds, Series 1997D, of the Issuer originally authorized hereby.

"Series 1997D Bonds Reserve Account" means the Series 1997D Bonds Reserve Account established in the Series 1997D Bonds Sinking Fund pursuant to Section 5.02(1).

"Series 1997D Bonds Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest which will become due on the Series 1997D Bonds in the then current or any succeeding year.

"Series 1997D Bonds Sinking Fund" means Series 1997D Bonds Sinking Fund established by Section 5.02(1).

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Account and Sinking Fund, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the complete waterworks system of the Issuer, and any further 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.

"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 Series 1997D Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State located in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed, the Project, consisting of certain improvements, extensions or betterments to the existing System, as described in Exhibit A attached hereto at an estimated cost of $4,001,504, in accordance with plans and specifications to be prepared by the Consulting Engineers, which plans and specifications following approval by RUS and DEP will be on file with the District.

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 the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and the Prior Bonds, the Series 1997B Bonds and the Series 1997C Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the acquisition and construction of the Project is $4,001,504, which will be permanently obtained from the Series 1997B Bonds and the Series 1997C Bonds, issued simultaneously herewith, and an ARC Grant and RUS Grant. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Costs of the Projects.

F. The period of usefulness of the System after completion of the Projects will not be less than forty (40) years.

G. It is deemed necessary for the Issuer to issue its sewerage revenue bonds in the aggregate principal amount of not more than $179,000, initially to be represented by a single bond, being the Shady Spring Public Service District Sewerage System Revenue Bond, Series 1997B and $2,500,000, initially to be represented by a single bond, being the Shady Spring Public Service District Sewerage System Revenue Bond, Series 1997C, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the Tap Fee; the cost of interim financing for such Project; interest on the bonds, prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said acquisition and construction of the project and placing the same in operation and the financing authorized by this Resolution.

H. It is in the best interests of the Issuer that the Series 1997B Bonds be sold to RUS pursuant to the terms and provisions of the Letter of Conditions and that the Series 1997C Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

I. It is in the best interest of the Issuer and the Issuer is hereby authorized and empowered to issue revenue refunding bonds to refund, pay or discharge all or any part of its outstanding Series 1982A Bonds. The Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Series 1982A Bonds. The Issuer hereby determinesd that it will be to the benefit of the Issuer and its residents to advance-refund the Series 1982A Bonds by applying the proceeds of the Series 1997D Bonds and certain other monies to purchase obligations of the United States goverment to be deposited in the Escrow Fund pursuant to the terms of the Escrow Agreement to redeem the Series 1982A Bonds on the first permitted Redemption Date, in the maximum aggregate principal amount of not to exceed $3,600,000, and other moneys of the Issuer, such Series 1997 D Bonds to be secured by and payable from the Net Revenues of the System, on a parity with the Prior Bonds, the Series 1997B Bonds and Series 1997C Bonds.

J. It is in the best interests of the Issuer that its Series 1997D Bonds be sold to the Water Development Authority pursuant to a Loan Agreement and made a part hereof, to take advantage of the favorable terms available to the Issuer.

K. It is deemed necessary for the Issuer to issue its revenue bonds, being the Shady Spring Public Service District Sewer Refunding Revenue Bonds, Series 1997D Bonds in the aggregate principal amount of not more than $3,600,000 to permanently finance the cost of refunding the District's Series 1982A Bonds. Said costs shall be deemed to include the cost of paying in full the entire outstanding principal of, the redemption premium, if any, and the interest on, the Series 1982A Bonds; amounts which may be deposited in the Reserve Account; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees 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 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized and the performance of the things herein required or permitted, in connection with any thereof.

L. It is in the best interests of the Issuer that the Series 1997D Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

M. The Issuer has complied with all requirements of West Virginia law relating to refunding the Series 1982A Bonds and issuance of the Series 1997D Bonds, or will have so complied prior to issuance of any Series 1997D Bonds, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which expired or the rights of all parties to appeal have been waived and "approved by" the West Virginia Infrastructure and Jobs Development Council.

N. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows:

Designation	Lien Position
Water Development Authority - Sewer Revenue Bonds, Series 1982B dated August 1, 1982, issued in the original principal amount of $795,515 (the "Series 1982 B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1994A dated June 6, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1996A dated April 25, 1996, issued in the original principal amount of $151,800 (the "1996A Bonds").	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds and the Series 1996A Bonds First Lien (Parity) are hereinafter called the "Prior Bonds."

The Bonds shall be issued on a parity with the Prior Bonds and with the Series 1997B Bonds and Series 1997D Bonds issued simultaneously herewith with respect to the liens, pledge and source of and security for payment and in all other respects the Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Other than the Prior Bonds and the Series 1997B Bonds and Series 1997D Bonds issued simultaneously herewith, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

O. The Issuer has, by certification from an independent certified public accountant, met the parity test of Section 7.07 of the Prior Resolutions.

P. The Code provides exceptions from the rebate provisions for issues of small governmental units meeting certain requirements. It is in the best interest of the Issuer and its inhabitants to qualify for the small governmental unit exception from the rebate provisions for the Bonds. Accordingly, it is hereby found and determined:

(1) The Issuer is a governmental unit with general taxing powers.

(2) The Bonds are not private activity bonds as defined by the Code.

(3) Ninety-five percent (95%) or more of the net proceeds (as defined with respect to the Code) of the Bonds will be used for local governmental activities of the Issuer.

(4) The Issuer reasonably expects that the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the Issuer and all subordinate entities thereof during the calendar year in which the Bonds for the refunding will be issued will not aggregately exceed $5,000,000. The Issuer reasonably expects to issue the Bonds in calendar year 1997.

Q. The Issuer will not permit, at any time, any of the proceeds of the Bond or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code.

R. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bond.

S. The Bond will not be federally guaranteed within the meaning of the Code.

T. It is reasonably anticipated that all proceeds of the Bond will be spent within three years from the date of issuance.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of any and all of such Bonds of like series.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01 Authorization of Refunding. The Series 1982A Bonds outstanding as of the date of issuance of the Series 1997D Bonds in an amount not more than $3,600,000, are hereby ordered to be refunded pursuant to the terms of the Escrow Agreement, and the pledge of Net Revenues in favor of the Holders of the Series 1982A Bonds imposed by the Prior Resolution is hereby ordered terminated, discharged and released upon the payment into the Escrow Fund from the proceeds of the Series 1997D Bonds and from other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the paying agent charges and the escrow agent charges to become due and payable in connection with the Series 1982A Bonds; (b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient, together with certain cash, if any, which may also be deposited, to provide for the payment of the principal of, interest and redemption premium, if any, on the Series 1982A Bonds as the same become due, to the first permitted Redemption Date thereof, being October 1, 2001, and on such Redemption Date to pay the Redemption Price of the Series 1982A Bonds, all as set forth in the Escrow Agreement which is hereby authorized. Contemporaneously with the deposit of the proceeds of the Series 1997D Bonds and other moneys into the Escrow Fund, the amount on deposit in the Series 1982A Bonds Reserve Account created by the Prior Resolution shall be transferred to the Series 1997D Bonds Reserve Account. The Issuer hereby authorizes the West Virginia Municipal Bond Commission to act as Escrow Agent with respect to the refunding of the Series 1982A Bonds.

Pursuant to the Prior Resolution, upon refunding of the Series 1982A Bonds, the outstanding Series 1982B Bonds shall share a first lien parity position with respect to the liens, pledge and source of and security for payment with the Bonds herein authorized, the Prior Bonds, the Series 1997B Bonds and the Series 1997C Bonds, issued simultaneously herewith.

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 funding a reserve account for the Series 1997D Bonds, refunding the Series 1982A Bonds, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer. Said Bonds shall be issued in one series, to be designated "Shady Spring Public Service District Sewer Refunding Revenue Bonds, Series 1997D," in the aggregate principal amount of not more than $3,600,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Escrow Fund established by Section 5.03 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 the 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 this Resolution or the Supplemental Resolution, the Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in this Resolution. The Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds 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 the Supplemental Resolution and shall bear interest from such date.

Section 3.03. Additional Terms of Series 1997D Bonds. In addition to the terms set forth in Sections 3.01 and 3.02 hereof and in anticipation of the sale of the Series 1997D Bonds to the Authority, the Issuer covenants that the Series 1997D Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority authorizing the issuance of Series 1997D Bonds pursuant to the Program.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairperson, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Series 1997D Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds, the Series 1997B Bonds and the Series 1997C Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds, the Series 1997B Bonds, the Series 1997C Bonds and the Series 1997D Bonds and to make the payments into the Sinking Funds, the Reserve Account therein and the Renewal and Replacement Fund

hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1997D Bonds as the same become due.

Section 3.10. Form of Bonds. The text of the Series 1997D 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 Bonds]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BOND, SERIES 1997D

No. D-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ Dollars ($_____) in installments on _____ 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, 199_. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the Registered Owner hereof at the address as it appears on the books of First Century Bank, Oceana, 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 _____, 1997.

This Bond is one of a series of Bonds (the "Bonds") issued in the original principal amount of $_____ (i) to pay a portion of the costs of refunding the Sewer Revenue Bonds, Series 1982A; [(ii) to fund a reserve account for the Bonds;] 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 Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 1997, as supplemented by a Supplemental Resolution duly adopted by the Issuer on _____, 1997 (collectively, the "Resolution") and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED IN THE RESOLUTION, AND THE SERIES 1997B BONDS AND THE SERIES 1997C BONDS ISSUED SIMULTANEOUSLY HEREWITH.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1997B Bonds and Series 1997C Bonds issued simultaneously herewith, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1997D Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). 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 in 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 1997D Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Series 1997D Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Series 1997D Bonds including the Prior Bonds, the Series 1997B Bonds and Series 1997C Bonds, issued simultaneously herewith, provided however, that so long as the Series 1997D Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997D Bonds, including the Prior Bonds, the Series 1997B Bonds and the Series 1997C Bonds issued simultaneously herewith, is funded at 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 Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Registrar by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, SHADY SPRING PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 1997.

SHADY SPRING PUBLIC SERVICE DISTRICT

By: _____
Chairperson

[SEAL]

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997D Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 1997

_____, 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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority. The Series 1997D 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 Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.12. "Amended Schedule A". Prior to closing, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of refunding the Series 1982 A Bonds and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with and shall be held by the Depository Bank separate and apart from all other funds or accounts of such Depository Bank and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Cost of Issuance; and

(4) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1997D Bonds Sinking Fund;

(a) Within the Series 1997D Bonds Sinking Fund, the Series 1997D 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 Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the fifteenth day of each month commencing on the fifteenth day of the month following the month of delivery of the Series 1997B Bonds, make the payments required by Section 5.03A(2) of the Prior Resolutions and (a) shall simultaneously therewith apportion and set apart out of the Revenue Fund and remit to the office and place designated by the Series 1997B Bonds (herein called the "Sinking Fund") the monthly payment of interest set forth in the Supplemental Resolution or such lesser amount as is required to pay the interest on the Series 1997B Bonds as evidenced by the Record of Advances and Payments attached to the Series 1997B Bonds as set forth in the Bond form in Section 3.10. If funds in the reserve fund are not sufficient to make all the payments required by this section, the Issuer shall

apportion and prorate the funds available to the payments required herein; and (b) commencing on the first day of each month simultaneously with the payments required by this Section, 4 months prior to the first date of payment of interest on the Series 1997C Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997C Bond Sinking Fund, a sum equal to 1/3rd of the amount of interest which will mature and become due on said Series 1997C Bond on the next ensuing quarterly payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997C Bond Sinking Fund and the next quarterly payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly payment date and (c) commencing on the first day of each month, apportion and set apart out of the Revenue Fund and remit to the Commission, commencing 7 months prior to the first date of payment of interest on the Series 1997D 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 1997D Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1997D 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 1997D 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.

(3) Next from the moneys in the Revenue Fund, the Issuer shall (a) on the fifteenth day of each month, as provided by the Supplemental Resolution, make the payment required by Sections 5.03A(3) of the Prior Resolutions and simultaneously therewith shall apportion and set apart from the Revenue Fund and remit to the Sinking Fund the monthly payment of principal set forth in the Supplemental Resolution or such lesser amount as is evidenced by the Record of Advances and Payments attached to the Series 1997B Bond as set forth in the Bond form in Section 3.10, such amount or amounts being the amount required to amortize the principal of the Series 1997B Bonds over the life of the Bonds. If funds in the reserve fund are not sufficient to make all the payments required by this section, the Issuer shall apportion and prorate the funds available to the payments required herein; and (b) commencing on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Series 1997C Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997C Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997C Bond 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 1997C Bond Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date and (c) commencing on the first day of each month, 4 months prior to the first date of payment of principal on the Series 1997D Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997D Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997D Bond 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 1997D Bond Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date

.

The deposits to the Sinking Fund provided in this paragraph and in (2), above, constitute actual payments of principal and interest on the Bonds issued to RUS. The amounts required for principal and interest payments on the Bonds issued hereunder other than to RUS shall be deposited in a sinking fund created by a Supplemental Resolution.

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

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 5.03 A(4) of the Prior Resolution and simultaneously therewith (a) deposit in a Reserve Account at the Depository Bank (herein the "Reserve Account"), or in the case of Bonds other than the Series 1997B Bonds originally authorized hereby in a reserve account in a sinking fund created by Supplemental Resolution or otherwise as designated by a Supplemental Resolution, on the fifteenth day of each month of each year beginning with and including the month in which payments from the Revenue Fund for interest on the Series 1997B Bonds are commenced, an amount equal to one tenth (1/10) of the amount deposited into the Sinking Fund, as set forth above. If funds in the reserve fund are not sufficient to make all the payments required by this section, the Issuer shall apportion and prorate the funds available to the payments required herein; and (b) commencing on the first day of each month, 3 months prior to the first date of payment of principal of the Series 1997C Bond, if not fully funded upon issuance of the Series 1997C Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997C Reserve Account, an amount equal to 1/120 of the Series 1997C Reserve Requirement; provided, that no further payments shall be made into the Series 1997C 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 1997B Reserve Requirement; and (c) commencing on the first day of each month, 3 months prior to the first date of payment of principal of the Series 1997D Bond, if not fully funded upon issuance of the Series 1997D Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997D Reserve Account, an amount equal to 1/120 of the Series 1997D Reserve Requirement; provided, that no further payments shall be made into the Series 1997D 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 1997D Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive

with Section 5.03A(5) of the Prior Resolutions, not in addition to). 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 1997B Bond Reserve Account, the Series 1997C Bond Reserve Account, or the Series 1997D Bond Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1997D Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due. Moneys in the Series 1997D Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Bonds, as the same shall come due, when other moneys in the attendant Sinking Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1997D Bonds Sinking Fund and Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited for use in the Earnings Fund as required by Section 8.03.

Any withdrawals from the Series 1997D Bonds Reserve Account which result in a reduction in the balance of the Series 1997D Bonds Reserve Account to below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1997D Bonds Sinking Fund and the Series 1997D Bonds Reserve Account, including deficiencies for prior payments, have been made in full.

As and when additional Bonds ranking on a parity with the Series 1997D Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay any interest on such 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 Commission is hereby designated as the fiscal agent for the administration of the Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any Parity Bonds 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 Sinking Fund, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall 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 charges and the fees then due.

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

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Reserve Accounts have not, as of such date, funded such account to the requirement therefor.

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 Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and used for any lawful purpose of the System.

ARTICLE VI

APPLICATION OF BONDS PROCEEDS

Section 6.01. Application of Bonds Proceed; Pledge of Unexpended Bond Proceeds. (1) From the moneys received from the sale of the Series 1997D Bonds, the following amounts shall be deposited as set forth below:

A. From the proceeds of the Series 1997D Bonds, there shall be deposited in the Escrow Account an amount to pay in full the principal of, redemption premium, if any, and interest on, the Series 1982A Bonds. This amount may be reduced by any transfers to the Escrow Account from the Series 1982A Bonds Sinking Fund, including the Reserve Account therein.

B. From the proceeds of the Series 1997D Bonds, there shall be deposited with the Commission in the Series 1997D Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1997D Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Series 1997D Bonds shall be deposited with the Depository Bank in the Costs of Issuance Account and applied solely to payment of costs of issuance of the Series 1997D Bonds.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Cost of Issuance Account and shall comply with all requirements with respect to the disposition of the Cost of Issuance Account set forth in this Resolution. Moneys in the Cost of Issuance Account shall be used solely to pay costs of issuance and, until so expended, are hereby pledged as additional security for the Bonds

Section 6.02. Disbursements from the Cost of Issuance Account. Payments for Costs of Issuance of the Bonds shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Cost of Issuance Account (except for the costs of issuance of the Bonds originally authorized hereby, 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 Issuance;

(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 Cost of Issuance Account only the net amount remaining after deduction of any such portion. All payments made from the Cost of Issuance Account 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 Cost of Issuance Account. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, 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.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position. The payment of the debt service of the Series 1997D Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds, the Series 1997B Bonds and the Series 1997C Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and to make the payments into the Sinking Fund, including the Reserve Account therein, and all other payments provided for in this Resolution 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 this Resolution.

Section 7.04. Initial Schedule of Rates and Charges. The schedule of rates and charges for the services and facilities of the System shall be as set forth, described in and ordered by the PSC Order, which schedule of rates is attached as Exhibit B hereto and incorporated herein by reference and is hereby adopted and approved as the rates of the Issuer, which rates will become effective as provided in the PSC Order.

The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay the Operating Expenses of the System and to make the prescribed payments into the funds and accounts 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.

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Series 1997D Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Series 1997D Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds

EXHIBIT A

LOAN AGREEMENT

SEE TAB NO. 9

EXHIBIT B

SCHEDULE OF RATES

SEE TAB NO. 16

(66 2/3%) 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. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and 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 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 respective liens of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.07. 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 Resolution, 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 1997D Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions or improvements 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 three 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 three succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates adopted by the Issuer and approved by the PSC, 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 and approved by the PSC, 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 extensions or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 1997D Bonds and the Holders of any Parity Bonds 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 respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Outstanding 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 1997D Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Resolution with respect to the Bonds then Outstanding, and any other payments provided for in this Resolution, 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 Resolution.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued pursuant to a Supplemental Resolution solely for the purpose of completing the Project as described in the application to the Authority and in accordance with the plans and specifications of the Consulting Engineer, in the event that the Series 1997D Bonds should be insufficient, together with other funds lawfully available therefore, to pay all costs of construction and acquisition of the project 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 and provided further that prior to the issuance of such Parity Bonds and under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.08. Books, Records and Facilities. The Issuer shall keep complete and accurate records. The Issuer shall permit the Authority, or its 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 such documents and information as it may reasonably require in connection with 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 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 Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed by the Uniform System of accounts promulgated by the PSC. 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, and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of 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 Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, Notes or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be 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 and shall submit said report to the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Resolution and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

The Issuer shall permit the Authority, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide the Authority, or its 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 with respect to the System pursuant to the Act.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from 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, including any reserves required by the PSC Order or any supplement or amendment thereto 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 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirement are on deposit respectively in the Reserve Account 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, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds.

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

Commencing on the date the Series 1982A Bonds are refunded and for two years following such date, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit C, and forward a copy of such report to the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development, construction and operation of the System.

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

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

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 PSC, 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 PSC, 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. Such charges shall be paid as they accrue and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of 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 interest 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 and the Authority 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 and ownership of motor vehicles of or for the System.

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

(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 for 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.

Section 7.17. Completion, Operation and Maintenance; Permits and Orders. The Issuer will maintain the System in good condition and with all federal and state requirements and standards and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Resolution.

The Issuer will maintain all permits required by state and federal laws for the operation of the System and all orders and approvals from the Public Service Commission of West Virginia necessary for the operation of the System.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and all applicable laws, rules and regulations issued by the Authority, or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

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

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as 'private activity bonds' within the meaning of the Code. The Issuer will take

all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1997D Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

E. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax exempt status of the Bonds, including without limitation the information return required under Section 149(e) of the Code.

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 7.20. Statutory Mortgage Lien. A statutory mortgage lien upon the System is granted and created by Section 19 of 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 Bonds and shall be for the benefit of all Registered Owners of Bonds.

Section 7.21. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 7.22. 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 (17CRF Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once a year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records relating thereto 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 intent on the Bonds from gross income for Federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1997D 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 Series 1997D Bonds so that the Series 1997D Bonds will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds so that the interest on the Series 1997D Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Series 1997D Bonds, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code or the Loan Agreement, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 15 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 15 days following the last day of each Bond Year and within 15 days following the date of the retirement of the Series 1997D Bonds, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when

such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Series 1997D Bonds shall be determined based on the actual Yield of the Series 1997D Bonds and during the period between the Closing Date for the Series 1997D 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 Series 1997D Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE 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 Series 1997D Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed

by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

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 six years following the retirement of the Series 1997D Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority and shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as that term is defined in the Code) from time to time as the Authority may request.

J. AMENDMENTS TO THIS SECTION. Notwithstanding any of the provisions herein to the contrary, the Issuer agrees to amend the provisions of this Section from time to time at the direction of the Authority in order to insure continuing compliance with Section 8.02 hereof.

ARTICLE IX

DEFAULT AND REMEDIES

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds, the Series 1997B Bonds, the Series 1997C Bonds, the Series 1997D Bonds or the Prior Bonds; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to the 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, or both, 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 Resolution and the Act.

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

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

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

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

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds, the Series 1997B Bonds and the Series 1997C Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds (66-2/3%) percent or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the 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 required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from the gross income of the Holders thereof.

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

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

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

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

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

thereto; and that the Chairperson, 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 ____ day of _____, 1997.

SHADY SPRING PUBLIC SERVICE DISTRICT

_____
Chairperson, Public Service District

_____
Member, Public Service District

_____
Member, Public Service District

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the ____ day of _____, 1997.

Dated: _____, 1997.

[SEAL]

Secretary, Public Service District

98376

EXHIBIT A

LOAN AGREEMENT

SEE TAB NO. 9

EXHIBIT B

SCHEDULE OF RATES

SEE TAB NO. 16

SHADY SPRING PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

SEWER REFUNDING REVENUE BONDS
SERIES 1997D

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REFUNDING REVENUE BONDS, SERIES 1997D; AUTHORIZING AND APPROVAL OF AN ESCROW AGREEMENT, OTHER INSTRUMENTS RELATING TO THE REFUNDING OF THE SERIES 1982A BONDS; APPOINTING AN ESCROW AGENT, REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; APPROVING THE LOAN AGREEMENT AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, Shady Spring Public Service District (the "Issuer"), in the County of Raleigh, State of West Virginia, is a public service district and public corporation of said State, the governing body of which is this public service board (the "Governing Body");

WHEREAS, the Governing Body duly adopted on June 12, 1997, a resolution the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1982A, OF SHADY SPRING PUBLIC SERVICE DISTRICT, THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 1997D, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $3,056,954.52, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

WHEREAS, the Resolution provided for the refunding of the Issuer's Sewer Revenue Bonds, Series 1982A, dated August 1, 1982 (the "1982A Bonds"), and issuance of its Sewer Refunding Revenue Bonds, Series 1997D (the "Series 1997D Bonds"), in an aggregate principal amount not to

exceed $3,600,000, for the purposes of paying a portion of the costs of such refunding; and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact principal amount of the Series 1997D Bonds to be sold and the date, maturities, interest rates, redemption provisions, price and other terms of the Series 1997D Bonds should be established, that an Escrow Agent, Registrar, Paying Agent and Depository Bank be designated, that an Escrow Agreement and Registrar and Paying Agent Agreement be approved, and that other matters pertaining to the Series 1997D Bonds be provided for by a supplemental resolution of the Governing Body;

WHEREAS, the Series 1997D Bonds are proposed to be purchased by The West Virginia Water Development Authority (the "Authority"), pursuant to a Loan Agreement between the Authority and the Issuer (the "Loan Agreement"); and

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted and tthat the Loan Agreement, the Escrow Agreement and the Registrar and Paying Agent Agreement hereinafter provided for be entered into by the Issuer, that the aggregate principal amount, the prices, the maturity dates and amounts, and the interest rates of the Series 1997D Bonds, be fixed hereby in the manner stated herein, and that other matters relating to the Series 1997D Bonds be herein provided for, all in accordance with the Resolution;

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 1997D Bonds. The Series 1997D Bonds shall be dated, shall be issued in such aggregate principal amount not to exceed $3,056,954.52, shall bear interest at the rate of 6.25%, with interest payable semiannually on August 1 and October 1, 1997 such dates, with final maturity to be on or before October 1, 2035, and shall have such redemption provisions and other terms as set forth in the Loan Agreement. All other provisions relating to the Series 1997D Bonds shall be as provided in the Resolution, and the Series 1997D Bonds shall be in substantially the form provided in the Resolution.

Section 2. The Escrow Agreement by and between the Issuer and the West Virginia Municipal Bond Commission as Escrow Agent, to be dated as of the date of delivery of the Series 1997D Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the Chairman. Execution of the Escrow Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 3. The Registrar Agreement to be dated as of the date of delivery of the Series 1997D Bonds, by and between the Issuer and the

Registrar designated herein, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 4. [RESERVED].

Section 5. [RESERVED].

Section 6. The firm of Hamb & Poffenbarger, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 1997D Bonds.

Section 7. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Escrow Agent and Paying Agent.

Section 8. The Issuer does hereby appoint and designate Bank One, National Association, Charleston, West Virginia, for the purpose of serving in the capacities of Registrar.

Section 9. The Issuer does hereby appoint and designate First State Bank & Trust, Beckley, West Virginia, for the purpose of serving in the capacity of Depository Bank.

Section 10. The firm of Smith, Cochran & Hicks, Charleston, West Virginia, is hereby engaged for the purpose of verifying yield and sufficiency of the Escrow Fund.

Section 11. The notice addresses for the Registrar, Paying Agent, Depository Bank, Escrow Agent and Authority shall be as follows:

REGISTRAR AND PAYING AGENT

Bank One, West Virginia, N.A.
707 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

DEPOSITORY BANK

First State Bank & Trust
Beckley, West Virginia 25801

ESCROW AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

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

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 1997D Bond issue to the end that the Series 1997D Bonds may be delivered on a timely basis to the Authority pursuant to the Loan Agreement.

Section 13. Under the provisions of the Act, and as provided in the Resolution and the Series 1997D Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Net Revenues derived from the operation of the System of the Issuer and the Series 1997D Bonds Reserve Account established by the Resolution, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Series 1997D Bonds and the interest thereon.

Section 14. This Resolution shall be effective immediately.

Adopted this day of _____, 1997.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of SHADY SPRING PUBLIC SERVICE DISTRICT at a meeting of the Public Service Board held at 5:00 p.m., on June 19, 1997, pursuant to proper notice, at which meeting a quorum was present acting throughout.

Dated this day 19th of June, 1997.

[SEAL]

Secretary

6(d) Series 1997D Escrow Agreement between Shady Spring Public Service District and West Virginia Municipal Bond Commission

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of June 24, 1997, by and between SHADY SPRING PUBLIC SERVICE SEWER DISTRICT (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission" or the "Escrow Agent").

WITNESSETH THAT:

WHEREAS, the Issuer presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds, of which among the outstanding are the Sewer Revenue Bonds, Series 1982A, dated August 1, 1982, originally issued in the aggregate amount of $2,680,000, of which $2,520,000 is presently outstanding (the "Series 1982A Bonds");

WHEREAS, the Series 1982A Bonds were issued pursuant to a resolution of the Issuer adopted August 1, 1982,as supplemented by a supplemental resolution adopted on August 1, 1982 (collectively, the "1982A Resolution");

WHEREAS, the Issuer has determined to issue its Sewer Revenue Refunding Bonds, Series 1997D (the "Series 1997D Bonds"), pursuant to a resolution adopted June 12, 1997, as supplemented by a supplemental resolution adopted June 19, 1997 (collectively, the "1997D Resolution"), and contemporaneously therewith, legally defease the Series 1982A Bonds by applying proceeds of the Series 1997D Bonds and certain moneys of the Issuer ("Issuer's Funds") to the purchase of obligations of the United States government to be deposited, together with certain cash amounts, in the Escrow Fund herein described;

WHEREAS, the Escrow Agent will cause to be purchased on behalf of the Issuer, with certain of such Series 1997D Bonds proceeds and Issuer's Funds, certain United States Treasury Obligations (the "Government Securities") described in the Verification Report, dated June 24, 1997, of Smith, Cochrain & Hicks, a firm of independent certified public accountants, attached hereto as EXHIBIT A - VERIFICATION REPORT (the "Verification Report");

WHEREAS, the Government Securities, plus cash amounts in the Escrow Fund which will be delivered to the Escrow Agent simultaneously with the delivery of the Series 1997D Bonds, are in such principal amount and mature and bear interest at such rates and are payable at such times and in such amounts as to insure the payment of the principal of and interest on the Series 1982A Bonds as they come due, and, on the first permitted redemption date thereof, being October 1, 2001 (the "Redemption Date"), the entire remaining principal amount of the Series 1982A Bonds then outstanding, together with a redemption premium of 13.6694915% of the principal amount so redeemed, and interest accrued thereon to October 1, 2001 (collective, the "Redemption Price");

WHEREAS, the Issuer has found it desirable to appoint the Escrow Agent and the Commission has agreed to such appointment for the purposes of holding title, as trustee, to the Government Securities, receiving payments of the principal thereof and interest thereon when due, disbursing to the paying agent such amounts as may be necessary to provide for payment of principal of and interest on the Series 1982 A Bonds as the same become due and payable, and on the Redemption Date, the Redemption Price and holding, investing and reinvesting any cash balances which may at any time not be needed for immediate disbursement; and

SHADY SPRING PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

SEWER REFUNDING REVENUE BONDS
SERIES 1997D

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REFUNDING REVENUE BONDS, SERIES 1997D; AUTHORIZING AND APPROVAL OF AN ESCROW AGREEMENT, OTHER INSTRUMENTS RELATING TO THE REFUNDING OF THE SERIES 1982A BONDS; APPOINTING AN ESCROW AGENT, REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; APPROVING THE LOAN AGREEMENT AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, Shady Spring Public Service District (the "Issuer"), in the County of Raleigh, State of West Virginia, is a public service district and public corporation of said State, the governing body of which is this public service board (the "Governing Body");

WHEREAS, the Governing Body duly adopted on June 12, 1997, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1982A, OF SHADY SPRING PUBLIC SERVICE DISTRICT, THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 1997D, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $3,056,954.52, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

WHEREAS, the Resolution provided for the refunding of the Issuer's Sewer Revenue Bonds, Series 1982A, dated August 1, 1982 (the "1982A Bonds"), and issuance of its Sewer Refunding Revenue Bonds, Series 1997D (the "Series 1997D Bonds"), in an aggregate principal amount not to

exceed $3,600,000, for the purposes of paying a portion of the costs of such refunding; and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact principal amount of the Series 1997D Bonds to be sold and the date, maturities, interest rates, redemption provisions, price and other terms of the Series 1997D Bonds should be established, that an Escrow Agent, Registrar, Paying Agent and Depository Bank be designated, that an Escrow Agreement and Registrar and Paying Agent Agreement be approved, and that other matters pertaining to the Series 1997D Bonds be provided for by a supplemental resolution of the Governing Body;

WHEREAS, the Series 1997D Bonds are proposed to be purchased by The West Virginia Water Development Authority (the "Authority"), pursuant to a Loan Agreement between the Authority and the Issuer (the "Loan Agreement"); and

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted and tthat the Loan Agreement, the Escrow Agreement and the Registrar and Paying Agent Agreement hereinafter provided for be entered into by the Issuer, that the aggregate principal amount, the prices, the maturity dates and amounts, and the interest rates of the Series 1997D Bonds, be fixed hereby in the manner stated herein, and that other matters relating to the Series 1997D Bonds be herein provided for, all in accordance with the Resolution;

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 1997D Bonds. The Series 1997D Bonds shall be dated, shall be issued in such aggregate principal amount not to exceed $3,056,954.52, shall bear interest at the rate of 6.25%, with interest payable semiannually on August 1 and October 1, 1997 such dates, with final maturity to be on or before October 1, 2035, and shall have such redemption provisions and other terms as set forth in the Loan Agreement. All other provisions relating to the Series 1997D Bonds shall be as provided in the Resolution, and the Series 1997D Bonds shall be in substantially the form provided in the Resolution.

Section 2. The Escrow Agreement by and between the Issuer and the West Virginia Municipal Bond Commission as Escrow Agent, to be dated as of the date of delivery of the Series 1997D Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the Chairman. Execution of the Escrow Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 3. The Registrar Agreement to be dated as of the date of delivery of the Series 1997D Bonds, by and between the Issuer and the

Registrar designated herein, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 4. [RESERVED].

Section 5. [RESERVED].

Section 6. The firm of Hamb & Poffenbarger, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 1997D Bonds.

Section 7. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Escrow Agent and Paying Agent.

Section 8. The Issuer does hereby appoint and designate Bank One, National Association, Charleston, West Virginia, for the purpose of serving in the capacities of Registrar.

Section 9. The Issuer does hereby appoint and designate First State Bank & Trust, Beckley, West Virginia, for the purpose of serving in the capacity of Depository Bank.

Section 10. The firm of Smith, Cochran & Hicks, Charleston, West Virginia, is hereby engaged for the purpose of verifying yield and sufficiency of the Escrow Fund.

Section 11. The notice addresses for the Registrar, Paying Agent, Depository Bank, Escrow Agent and Authority shall be as follows:

REGISTRAR AND PAYING AGENT

Bank One, West Virginia, N.A.
707 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

DEPOSITORY BANK

First State Bank & Trust
Beckley, West Virginia 25801

ESCROW AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

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

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 1997D Bond issue to the end that the Series 1997D Bonds may be delivered on a timely basis to the Authority pursuant to the Loan Agreement.

Section 13. Under the provisions of the Act, and as provided in the Resolution and the Series 1997D Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Net Revenues derived from the operation of the System of the Issuer and the Series 1997D Bonds Reserve Account established by the Resolution, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Series 1997D Bonds and the interest thereon.

Section 14. This Resolution shall be effective immediately.

Adopted this day of _____, 1997.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of SHADY SPRING PUBLIC SERVICE DISTRICT at a meeting of the Public Service Board held at 5:00 p.m., on June 19, 1997, pursuant to proper notice, at which meeting a quorum was present acting throughout.

Dated this day 19th of June, 1997.

[SEAL]

Secretary

6(d) Series 1997D Escrow Agreement between Shady Spring Public Service District and West Virginia Municipal Bond Commission

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of June 24, 1997, by and between SHADY SPRING PUBLIC SERVICE SEWER DISTRICT (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission" or the "Escrow Agent").

WITNESSETH THAT:

WHEREAS, the Issuer presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds, of which among the outstanding are the Sewer Revenue Bonds, Series 1982A, dated August 1, 1982, originally issued in the aggregate amount of $2,680,000, of which $2,520,000 is presently outstanding (the "Series 1982A Bonds");

WHEREAS, the Series 1982A Bonds were issued pursuant to a resolution of the Issuer adopted August 1, 1982,as supplemented by a supplemental resolution adopted on August 1, 1982 (collectively, the "1982A Resolution");

WHEREAS, the Issuer has determined to issue its Sewer Revenue Refunding Bonds, Series 1997D (the "Series 1997D Bonds"), pursuant to a resolution adopted June 12, 1997, as supplemented by a supplemental resolution adopted June 19, 1997 (collectively, the "1997D Resolution"), and contemporaneously therewith, legally defease the Series 1982A Bonds by applying proceeds of the Series 1997D Bonds and certain moneys of the Issuer ("Issuer's Funds") to the purchase of obligations of the United States government to be deposited, together with certain cash amounts, in the Escrow Fund herein described;

WHEREAS, the Escrow Agent will cause to be purchased on behalf of the Issuer, with certain of such Series 1997D Bonds proceeds and Issuer's Funds, certain United States Treasury Obligations (the "Government Securities") described in the Verification Report, dated June 24, 1997, of Smith, Cochrain & Hicks, a firm of independent certified public accountants, attached hereto as EXHIBIT A - VERIFICATION REPORT (the "Verification Report");

WHEREAS, the Government Securities, plus cash amounts in the Escrow Fund which will be delivered to the Escrow Agent simultaneously with the delivery of the Series 1997D Bonds, are in such principal amount and mature and bear interest at such rates and are payable at such times and in such amounts as to insure the payment of the principal of and interest on the Series 1982A Bonds as they come due, and, on the first permitted redemption date thereof, being October 1, 2001 (the "Redemption Date"), the entire remaining principal amount of the Series 1982A Bonds then outstanding, together with a redemption premium of 13.6694915% of the principal amount so redeemed, and interest accrued thereon to October 1, 2001 (collective, the "Redemption Price");

WHEREAS, the Issuer has found it desirable to appoint the Escrow Agent and the Commission has agreed to such appointment for the purposes of holding title, as trustee, to the Government Securities, receiving payments of the principal thereof and interest thereon when due, disbursing to the paying agent such amounts as may be necessary to provide for payment of principal of and interest on the Series 1982 A Bonds as the same become due and payable, and on the Redemption Date, the Redemption Price and holding, investing and reinvesting any cash balances which may at any time not be needed for immediate disbursement; and

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Series 1982 A Bonds, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Escrow Agent an irrevocable trust fund to be known as the Escrow Fund, to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposit of securities or moneys in the Escrow Fund shall constitute an irrevocable deposit of said securities or moneys in trust for, and such moneys and securities, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, to the payment of principal of and interest on the Series 1982 A Bonds as the same become due and payable, and on the Redemption Date, to pay the Redemption Price, all in accordance with paragraph 5 hereof.

2. Concurrently with the delivery of the Series 1997 D Bonds, the Commission shall transfer from the Series 1982 A Bonds Reserve Account (i) the sum of $211,871.97 to the Series 1997 D Bonds Reserve Account and the sum of $98,988.27 to the Escrow Agent for deposit into the Escrow Fund. Additionally, concurrently with the delivery of the Series 1997 D Bonds, the Commission shall transfer $115,692.04 from the Series 1982 A Bonds Sinking Fund to purchase escrow securities for the Escrow Account.

3. Concurrently with the delivery of the Series 1997 D Bonds, the Issuer and the Escrow Agent shall cause (i) Series 1997 D Bonds proceeds in the amount of $3,035,954.52, and (ii) the amounts described in paragraph 2 above, on deposit with the Commission in the Series 1982 A Bonds Sinking Fund and Reserve Account to be deposited in the Escrow Fund, and thereupon $3,250,634 to be applied to the purchase of the Government Securities and to hold the remaining $0.83 as cash, uninvested, in the Escrow Fund. Maturing principal and interest (together with reinvestment proceeds thereof) of the Government Securities and the uninvested cash in the Escrow Fund shall be applied solely to the payment of the Series 1982 A Bonds. Smith, Cochran & Hicks, CPAs, has certified, in its Verification Report, attached hereto as **EXHIBIT A**, that the Government Securities, together with the income to be derived therefrom and the uninvested cash in the Escrow Fund will be sufficient to pay the principal of and interest on the Series 1982 A Bonds as the same become due and payable, and, on the Redemption Date, to pay the Redemption Price. The Issuer hereby authorizes and directs the Escrow Agent to subscribe to the purchase of the Government Securities.

4. The Escrow Agent shall have no authority to reinvest funds or make substitutions of the Government Securities acquired hereunder under this agreement except as follows:

If requested by the Issuer, and upon receipt of an opinion of nationally recognized bond counsel that such substitution will not affect the tax-exempt status of interest on the Series 1982 A Bonds or the Series 1997 D Bonds under the Internal Revenue Code of 1987, as amended and then in effect (the "Code"), the Escrow Agent may substitute other United States Treasury Obligations for the Government Securities, provided that such United States Treasury Obligations being substituted must be non-callable obligations of the United States of America ("Direct Obligations"), must be sufficient to pay the principal of and interest on the Series 1982 A Bonds as the same become due, and also pay, on the Redemption Date, the Redemption Price, and provided further, that the Escrow Agent receives verification by a Certified Public Accountant of the sufficiency of the escrowed securities to pay the principal of and interest on the Series 1982 A Bonds as the same become due, and also pay, on the Redemption Date, the

1982 A Bonds as the same become due, and also pay, on the Redemption Date, the Redemption Price.

5. The Escrow Agent shall transfer from the Escrow Fund and deposit directly with the paying agent for the Series 1982 A Bonds, in immediately available funds on October 1, 1997, and on each April 1 and October 1 thereafter, to and including October 1, 2001, an amount sufficient to pay the principal of and interest on the Series 1982 A Bonds as the same become due, in accordance with the Series 1982 A Bonds debt service schedule attached to the Verification Report, and on the Redemption Date, an amount sufficient to pay the Redemption Price. The Escrow Agent is not required to provide any redemption notices to the holders of the Series 1982 A Bonds.

6. The holders of the Series 1982 A Bonds shall have an express lien on all moneys and assets in the Escrow Fund until paid out, used and applies in accordance with this Agreement.

7. Subject to the provisions of paragraph 17 hereof, 12 months after the payment of all amounts required to be paid pursuant to paragraph 5 of this Agreement, the amounts remaining in the Escrow Fund, if any, shall be deposited by the Escrow Agent in the Series 1997 D Bonds Sinking Fund, and applied to payment of the Series 1997 D Bonds.

8. The Escrow Agent shall be entitled to fees for services rendered under this Agreement and reasonable expenses as set forth in EXHIBIT B - ESCROW AGENT FEES, attached hereto. The Issuer shall pay from its own funds, to the Escrow Agent the amounts at the times set forth in EXHIBIT B. In no event shall such fees or expenses be paid from the Escrow Fund, nor shall the Escrow Agent or the paying agent have any lien whatsoever upon any of the moneys or Government Securities in the Escrow Fund for the payment of such fees or expenses.

9. The Issuer and the Escrow Agent independently hereby covenant that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 1982 A Bonds or the Series 1997 D Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, or to be subject to treatment under section 148 as an obligation not described in Section 103 of the Code.

10. The Escrow Agent shall not have any responsibility with respect to the sufficiency of this Escrow Agreement to effect payment, redemption or defeasance of the Series 1982 A Bonds. The liability of the Escrow Agent for the payment of the principal of, interest on and Redemption Price of the Series 1982 A Bonds shall be limited to the payment of all amounts required to be paid pursuant to paragraph 5 hereof. The Escrow Agent shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Escrow Agreement. The Escrow Agent shall have no responsibility to the Issuer or any other person in connection with this Escrow Agreement, except as specifically provided herein, and shall not be responsible for anything done or omitted to be done by it except for its own negligence or willful default in the performance of any obligation imposed on it hereunder.

11. By execution of this Escrow Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder. The Escrow Agent represents that it has all requisite power, and has taken all action necessary to execute the trusts hereby created.

12. If the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any event or contingency, the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the Issuer, at any time. The Escrow Agent may request an opinion of counsel for a determination of any legal issue which might arise in the performance of its duties hereunder and may act in accordance with the advice given in such opinion.

13. The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to the terms and provisions of this Escrow Agreement.

14. The Escrow Agent may act upon any notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other instrument or document which the Escrow Agent in good faith believes to be genuine and correct and to have been signed or sent by the proper person or persons.

15. The Escrow Agent may resign or be removed by the Issuer, and thereby become discharged from the trusts hereby created, by notice given to the Issuer and each insurer of any of the Series 1982 A Bonds not less than thirty (30) days before such resignation or removal shall take effect. Such resignation or removal shall take effect immediately, however, upon the earlier appointment of a new Escrow Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed and the funds held hereunder transferred. The Escrow Agent shall provide a proper accounting to the Issuer of all funds deposited pursuant to this Escrow Agreement within 30 days of the appointment of a successor Escrow Agent. If no such appointment has been made at the end of the 30 day period, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor or temporary Escrow Agent. In the event of the resignation or removal of the Escrow Agent, the Escrow Agent shall rebate to the Issuer any fees theretofore paid in advance by the Issuer to the Escrow Agent for its services under this Escrow Agreement.

16. This Escrow Agreement is made for the benefit of the Issuer, the Escrow Agent and the holders from time to time of the Series 1982 A Bonds, except as otherwise expressly provided herein. This Escrow Agreement may be modifies or amended at anytime, provided, however, that no such modification or amendment shall be made which would, materially adversely affect the interest of any of the holders of the Series 1982 A Bonds.

17. If any Outstanding Series 1982 A Bonds are not presented for payment on the Redemption Date, and moneys are held by the Escrow Agent for payment thereof, such moneys shall be held for such purposes for a period of 5 years from the date such payment was due, at which time such moneys shall be paid to the Issuer. Following such payment to the Issuer, the Issuer shall be responsible for payment to any holder of the Series 1982 A Bonds presenting such Series 1982 A Bonds to the Escrow Agent of the amount payable to such holder.

18. This Escrow Agreement shall terminate on the earlier of the date on which all the Outstanding Series 1982 A Bonds have been redeemed, paid in full and discharged, or, as described in paragraph 17 above, 2 years after the last date on which payment on the Series 1982 A Bonds is due. Upon termination of this Escrow Agreement, any remaining moneys and Government Securities in the Escrow Fund shall be transferred as provided in paragraph 7 hereof.

19. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

20. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

21. This Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SHADY SPRING PUBLIC SERVICE
SEWER DISTRICT

By _____
Chairman, Public Service Board

WEST VIRGINIA MUNICIPAL BOND

COMMISSION

By _____
Executive Director

EXHIBIT A - VERIFICATION REPORT

[Included as Transcript Document No. 28]

EXHIBIT B - ESCROW AGENT FEES

SHADY SPRING PUBLIC SERVICE DISTRICT
Sewerage System Revenue Refunding Bonds
Series 1982 A

CERTIFICATE OF DEFEASANCE OF BONDS TO BE REFUNDED

I, R. Witter Hallan, Executive Director of the West Virginia Municipal Bond Commission, as Escrow Agent (the "Escrow Agent") under the Escrow Agreement dated June 24, 1997 (the "Escrow Agreement"), by and between the Shady Spring Public Service District (the "District") and the Escrow Agent, hereby certify to the following:

1. There have been received this day the irrevocable instructions and moneys or other assets described in paragraph 3 of the Escrow Agreement.

2. Pursuant to the Escrow Agreement, as of this day there are on deposit in the Escrow Fund established pursuant to the Escrow Agreement amounts which, together with the earnings thereon, will be sufficient without reinvestment or substitution to pay the Redemption Price of and interest on the District's Revenue Bonds described in Exhibit A hereto (the "Bonds To Be Refunded") as the same come due and as required by the Escrow Agreement, and, thus, to defease the lien on the Bonds To Be Refunded.

3. The lien of the Bonds To Be Refunded (except such lien created under the Escrow Agreement) is effectively defeased pursuant to the terms of the Resolution as of the date hereof.

IN WITNESS WHEREOF, I hereunto set my hand this 24th day of June, 1997.

R. Witter Hallan
Executive Director, West Virginia Municipal
Bond Commission, as Escrow Agent

CHASFS3:52159

EXHIBIT A

SHADY SPRING PUBLIC SERVICE DISTRICT
(SRF)

BOND RESOLUTION

RESOLUTION AUTHORIZING THE CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1998A, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"ARC" means the Appalachian Regional Commission and any successors to the funds of the ARC.

"ARC Grant" means the grant from ARC in the amount of $840,000.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of each Bond, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"Bond" or "Bonds" means the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A, originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bond in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bond for a portion of the proceeds representing the purchase of the Bond by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01(3).

"Consulting Engineers" means L. A. Gates Company, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the acquisition and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04G hereof to be a part of the cost of planning, design, construction of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1998A Bond, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings, over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the 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 thereof.

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(I) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original

proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to 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), or any Tap Fees, as hereinafter defined.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" or "District" means the Shady Spring Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund Loan Agreement dated October 9, 1998, by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts. For purposes of the Private Business use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds" means not to exceed $1,300,000 Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds, Series 1982B, issued in the original principal amount of $795,515 (the "Series 1982B Bonds"), the District's Sewer Revenue Bonds, Series 1994A, issued in the original principal amount of $170,532 (the "Series 1994A Bonds") the District's Sewer Revenue Bonds, Series 1996A, issued in the original prinicpal amount of $151,800 (the "1996A Bonds,") the District's Sewer Revenue Bonds, Series 1997B, issued in the original principal amount of $179,000 (the "Series 1997B Bonds") the District's Sewer Revenue Bonds, Series 1997C Bond issued in the original principal amount of $2,500,000 (the "Series 1997C Bonds") the District's Sewer Refunding Revenue Bonds, Series 1997D issued in the original principal amount of 3,056,954.52 (the "Series 1997D Bonds") and collectively with the Series 1982B Bonds, Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C Bonds, and the Series 1997D Bonds (the "Prior Bonds").

"Prior Resolutions" means the Bond Resolutions adopted by the Board with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the

meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" shall mean the acquisition and construction of certain extensions, betterments and improvements to the sewerage facility program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" means the construction of certain extensions, additions, betterments and improvements to the sewerage facility by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. 98-0166-PSD-CN which grants the Issuer approval of financing and approval of rates and the Corrective Order dated November 5, 1998.

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

(a) Government Obligations;

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

(c) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage

Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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;

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended; and

(h) Advance-Refunded Municipal Bonds.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01(2).

"Reserve Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

"Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest with will become due on the Bonds in the then current or any succeeding year.

"Resolution" shall mean this Resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(1).

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

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

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

"Series 1982 B Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(N) issued August 1, 1982, in the original amount of $795,515.

"Series 1994 A Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(N) issued June 8, 1994, in the original amount of $170,532.

"Series 1996A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(N) issued April 25, 1996, in the original amount of $151,800.

"Series 1997B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(N) issued June 24, 1997, in the original amount of $179,000.

"Series 1997C Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(N) issued June 24, 1997, in the original amount of $2,197,304.

"Series 1997D Bonds" means the Sewer Revenue Refunding Bonds of the Issuer described in Section 1.04(N) issued June 24, 1997, in the original amount of $3,052,954.52.

"Sinking Fund" mean the Sinking Fund established by Section 5.02(1) hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution or the Prior Resolutions to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Projects.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto, both within and without the boundaries of the District, and shall include any extensions, additions, betterments and improvements thereto, including the facility, hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without said District.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bond, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bond, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

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

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed, the Project, consisting of certain improvements, extensions or betterments to the existing System, as described in Exhibit A attached hereto at an aggregate estimated cost not to exceed $1,300,000 in accordance with plans and specifications to be prepared by the Consulting Engineers, which plans and specifications have been approved by DEP are on file with the District.

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 the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and the

Prior Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the aquisition and construction of the Project is $2,062,100, which will be permanently obtained from the Bonds herein authorized and an ARC Grant. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Costs of the Projects.

F. The period of usefulness of the System after completion of the Projects will not be less than twenty (20) years.

G. It is deemed necessary for the Issuer to issue its sewer revenue bonds in the aggregate principal amount of not more than $1,300,000 initially to be represented by a single bond, being the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A, to permanently finance the costs of construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the construction of the Project and such replacements as are necessary therefor; the Tap Fee; the cost of interim financing for such Project; interest on the bonds, prior to, during and for six months after the estimated date of completion of construction of the Project if any; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said construction of the project and placing the same in operation and the financing authorized by this Resolution.

H. It is in the best interests of the Issuer that the Series 1998A Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

I. It is in the best interest of the Issuer that the Series 1998A Bond be secured by and payable from the Net Revenue of the System on a parity with the Prior Bonds.

J. It is in the best interests of the Issuer that its Series 1998A Bonds be sold to the Water Development Authority pursuant to a Loan Agreement and made a part hereof, to take advantage of the favorable terms available to the Issuer.

K. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired and the written approval of the West Virginia Infrastructure and Jobs Development Council.

L. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows:

Designation	Lien Position
Water Development Authority - Sewer Revenue Bonds, Series 1982B dated August 1, 1982, issued in the original principal amount of $795,515 (the "Series 1982 B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1994A dated June 6, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1996A dated April 25, 1996, issued in the original principal amount of $151,800 (the "1996A Bonds").	First Lien (Parity)
United States Department of Agriculture Rural Utilities Service - Sewer Revenue Bonds, Series 1997B dated June 24, 1997, issued in the original prinicpal amount of $179,000	First Lien (Parity)

(the "Series 1997B Bonds")

Water Development Authority - Sewer Revenue Bonds, Series 1997C dated June 24, 1997, issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue RefundingBonds, Series 1997D dated June 24, 1997, issued in the original principal amount of $3,056,954.52 (the "Series 1997D Bonds");	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C Bonds and the Series 1997D Bonds are hereinafter called the "Prior Bonds."

The Bonds shall be issued on a parity with the Prior Bonds with respect to the liens, pledge and source of and security for payment and in all other respects the Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

O. The Issuer has, by certification from an independent certified public accountant, met the parity test of Section 7.07 of the Prior Resolutions.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the construction of the Project in accordance with plans and specifications prepared by the Consulting Engineers, approved by DEP and the Issuer and is on file in the office of the Board.

Prior to issuing the Bonds for the construction of the Project, the Issuer must receive acceptable bids or enter into contracts for the construction of the Project, compatible with the financing plan submitted to the DEP/WDA.

ARTICLE III

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

Section 3.01. Authorization of Bond. For the purposes of financing a portion of the costs, not otherwise provided, of the construction of the Project, funding a reserve account for the Bond, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $1,300,000 for the Series 1998A Bond. Said Bonds shall be issued as one bond to be designated "Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A." Original Bonds shall be dated as of the date of delivery thereof, shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of completion, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Bonds shall be as set forth on Schedule Y to the Loan Agreement. The Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Bonds.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Bond shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the

amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of bonds may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bond. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bonds to the Authority, the District covenants that the Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority and/or DEP.

Section 3.04. Execution of Bond. 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-Treasurer. 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 Series 1998A Bond has 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 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe

and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be 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.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other bonds issued hereunder.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, the Reserve Account therein and in the Renewal and Replacement Fund hereinafter continued or established and to make the payments requested by this Resolution, the Prior Resolutions, and are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due.

Section 3.10. Form of Series 1998A Bond. The text of the Series 1998A Bond shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof.

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BOND, SERIES 1998A

No. R-1 $1,202,100

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 $1,202,100 or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in installments on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March in each year beginning June 1, 2000, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of zero percent (0%) per annum as set forth on said Exhibit B. The SRF Administrative Fee of 1% shall also be payable quarterly on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March of each year beginning June 1, 2000 as set forth on Exhibit B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the 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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated October 9, 1998 among the Authority, the DEP and the Issuer.

This Bond is issued in the aggregate principal amount of $1,202,100 (i) to pay the costs of construction of certain improvements and extensions to the existing sewerage system of the Issuer (the "Project"; (ii) to fund the Reserve Account; 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 Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the Issuer on the 6th day of November, 1998, and a Supplemental Resolution adopted by the Issuer on the 6th day of November, 1998 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED IN THE RESOLUTION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bond (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest, if any, on all obligations on a parity with or prior to the Bonds including the Prior Bonds payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on said Bond in the then current year or any succeeding year and the reserve account for any other obligations outstanding on a parity with the Bond including the Prior Bonds, is funded at 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 Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, National Association, 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, shall be applied solely to the payment of the costs of the Project described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

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

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

IN WITNESS WHEREOF, SHADY SPRING 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-Treasurer, and has caused this Bond to be dated November 6, 1998.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998A Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: November 6, 1998.

_____, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

EXHIBIT "B"

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total
6/01/2010	15,026.25	-	15,026.25
9/01/2010	15,026.25	-	15,026.25
12/01/2010	15,026.25	-	15,026.25
3/01/2011	15,026.25	-	15,026.25
6/01/2011	15,026.25	-	15,026.25
9/01/2011	15,026.25	-	15,026.25
12/01/2011	15,026.25	-	15,026.25
3/01/2012	15,026.25	-	15,026.25
6/01/2012	15,026.25	-	15,026.25
9/01/2012	15,026.25	-	15,026.25
12/01/2012	15,026.25	-	15,026.25
3/01/2013	15,026.25	-	15,026.25
6/01/2013	15,026.25	-	15,026.25
9/01/2013	15,026.25	-	15,026.25
12/01/2013	15,026.25	-	15,026.25
3/01/2014	15,026.25	-	15,026.25
6/01/2014	15,026.25	-	15,026.25
9/01/2014	15,026.25	-	15,026.25
12/01/2014	15,026.25	-	15,026.25
3/01/2015	15,026.25	-	15,026.25
6/01/2015	15,026.25	-	15,026.25
9/01/2015	15,026.25	-	15,026.25
12/01/2015	15,026.25	-	15,026.25
3/01/2016	15,026.25	-	15,026.25
6/01/2016	15,026.25	-	15,026.25
9/01/2016	15,026.25	-	15,026.25
12/01/2016	15,026.25	-	15,026.25
3/01/2017	15,026.25	-	15,026.25
6/01/2017	15,026.25	-	15,026.25
9/01/2017	15,026.25	-	15,026.25
12/01/2017	15,026.25	-	15,026.25
3/01/2018	15,026.25	-	15,026.25
6/01/2018	15,026.25	-	15,026.25
9/01/2018	15,026.25	-	15,026.25
12/01/2018	15,026.25	-	15,026.25
3/01/2019	15,026.25	-	15,026.25
6/01/2019	15,026.25	-	15,026.25
9/01/2019	15,026.25	-	15,026.25
12/01/2019	15,026.25	-	15,026.25
3/01/2020	15,026.25	-	15,026.25
Total	1,202,100.00	-	1,202,100.00

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars	$13,830.83
Average Life	11.506 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	-8.73E-10
Bond Yield for Arbitrage Purposes	-6.73E-10
All Inclusive Cost (AIC)	0.8740761%

IRS FORM 8038

Net Interest Cost	-
Weighted Average Maturity	11.506 Years

EXHIBIT "B"

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2010	15,026.25	-	15,026.25
9/01/2010	15,026.25	-	15,026.25
12/01/2010	15,026.25	-	15,026.25
3/01/2011	15,026.25	-	15,026.25
6/01/2011	15,026.25	-	15,026.25
9/01/2011	15,026.25	-	15,026.25
12/01/2011	15,026.25	-	15,026.25
3/01/2012	15,026.25	-	15,026.25
6/01/2012	15,026.25	-	15,026.25
9/01/2012	15,026.25	-	15,026.25
12/01/2012	15,026.25	-	15,026.25
3/01/2013	15,026.25	-	15,026.25
6/01/2013	15,026.25	-	15,026.25
9/01/2013	15,026.25	-	15,026.25
12/01/2013	15,026.25	-	15,026.25
3/01/2014	15,026.25	-	15,026.25
6/01/2014	15,026.25	-	15,026.25
9/01/2014	15,026.25	-	15,026.25
12/01/2014	15,026.25	-	15,026.25
3/01/2015	15,026.25	-	15,026.25
6/01/2015	15,026.25	-	15,026.25
9/01/2015	15,026.25	-	15,026.25
12/01/2015	15,026.25	-	15,026.25
3/01/2016	15,026.25	-	15,026.25
6/01/2016	15,026.25	-	15,026.25
9/01/2016	15,026.25	-	15,026.25
12/01/2016	15,026.25	-	15,026.25
3/01/2017	15,026.25	-	15,026.25
6/01/2017	15,026.25	-	15,026.25
9/01/2017	15,026.25	-	15,026.25
12/01/2017	15,026.25	-	15,026.25
3/01/2018	15,026.25	-	15,026.25
6/01/2018	15,026.25	-	15,026.25
9/01/2018	15,026.25	-	15,026.25
12/01/2018	15,026.25	-	15,026.25
3/01/2019	15,026.25	-	15,026.25
6/01/2019	15,026.25	-	15,026.25
9/01/2019	15,026.25	-	15,026.25
12/01/2019	15,026.25	-	15,026.25
3/01/2020	15,026.25	-	15,026.25
Total	1,202,100.00	-	1,202,100.00

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars	$13,830.83
Average Life	11.506 Years
Average Coupon	-
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True Interest Cost (TIC)	-8.73E-10
Bond Yield for Arbitrage Purposes	-6.73E-10
All Inclusive Cost (AIC)	0.8740761%

IRS FORM 8038

Net Interest Cost	-
Weighted Average Maturity	11.506 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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary-Treasurer is directed to affix the seal of the Issuer thereto, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery of the Loan Agreement is hereby authorized, ratified and approved.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers, in the form attached to the SRF Loan Agreement, to the effect that the Project has been designed as provided in the Program application and will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, that the Project will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of the construction of the Project.

Section 3.13. Amended Schedule A Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority its schedule, in substantially the form of "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created 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 (or continue pursuant to Prior Resolutions):

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1998A Bond Sinking Funds;

(a) Within the Series 1998A Bond Sinking Funds, the Series 1998A Bond 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 created pursuant to Section 5.03 of the Prior Resolutions and which is continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided. As long as the Prior Bonds are Outstanding, the Issuer shall make the payments required by Section 5.03A of the Prior Resolutions and simultaneously make the payments set forth hereinafter.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the fifteenth day of each month commencing on the fifteenth day of the month following the month of delivery of the Series 1998A Bonds, make the payments required by Section 5.03A(2) of the Prior Resolutions and (a) commencing on the first day of each month simultaneously with the payments required by this Section, 4 months prior to the first date of payment of interest on the Series 1998A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998A Bond Sinking Fund, a sum equal to 1/3rd of the amount of interest which will mature and become due on said Series 1998A Bond on the next ensuing quarterly payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998A Bond Sinking Fund and the next quarterly payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly payment date.

(3) Next from the moneys in the Revenue Fund, the Issuer shall (a) commencing on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Series 1998A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998A Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1998A Bond 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 1998A Bond Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

The Issuer shall complete the "Monthly Payment Form," the form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its remittance checks to the Authority by the 6th day of such calendar month.

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 5.03 A(4) of the Prior Resolution and simultaneously therewith (a) commencing on the first day of each month, 4 months prior to the first date of payment of principal of the Series 1998A Bond, if not fully funded upon issuance of the Series 1998A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998A Reserve Account, an amount equal to 1/120 of the Series 1998A Reserve Requirement; provided, that no further payments shall be made into the Series 1998A 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 1998A Reserve Requirement; payment shall be made unless fully funded.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolutions, not in addition to). 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 1998A Bond Reserve Account, [except to the extent such deficiency exists because the required payments into such account have not, as of the date

of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1998A Bond Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998A Bond as the same shall become due. Moneys in the Series 1998A Bond Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Series 1998A Bond as the same shall come due, when other moneys in the Sinking Funds are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Projects and thereafter, to the Sinking Fund.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to an amount below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Funds for payment of debt service on the Bond have been made in full.

B. As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the Sinking Funds sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in an amount equal to the Reserve Requirements.

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 Resolution. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

I. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

Section 5.04. Excess Bond Proceeds. The Issuer shall place any proceeds from the Bonds not required for the Project Costs in the respective Reserve Account to the extent that the balances therein are not equal to the respective Reserve Requirements.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. The moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the Bond Construction Trust Fund established in Section 5.01(3) hereof.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Projects and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Projects shall be made monthly.

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

(1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

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

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

(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 Issuer shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any owner or owners of the Bond as if they were set forth in full in this Resolution. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Bond as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is Outstanding and unpaid.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Original Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Prior Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Account therein, and all other payments provided for in the Prior Resolutions and this Resolution 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 this Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bond, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder . Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and is funded at least at the requirement provided for in the Resolution, such

balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bond.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Projects and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Upon completion of the Projects, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Projects and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law and the terms of the Prior Resolutions, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds and Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and prior, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no

such prior obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

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

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

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject

to the prior and superior lien of the Outstanding 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 Bond.

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

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Projects as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Projects; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Projects, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of any construction contract, workers' compensation coverage, public liability insurance,

property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bond. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Projects, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Projects in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

The Issuer shall require all contractors engaged in the construction of the Projects 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 Projects covered by the particular contract as security for the faithful performance of such contract.

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authorityand the DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers. Such resident engineer shall certify to the Authority, the DEP and the Issuer, at the completion of construction, that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer agrees that it will, at all times, provide operation and maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel, properly certified by the State, will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

The Issuer agrees that qualified operating personnel, properly certified by the State, will be retained to operate the System during the entire term of the Loan Agreement.

Section 7.11. Compliance With Loan Agreements, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the acquisition and construction of the Projects and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of construction of the Projects. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the construction and installation of the Projects, the operation and maintenance of the System and the administration of the Loan Agreement or other sources of financing for the Projects.

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any owner of a Bond or Bonds issued pursuant to the Resolution shall have the right at all reasonable times

to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Authority shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Certified Public Accountants in compliance with OMB Circular 128, or any successor thereto, and the Single Audit Act and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Projects and for two years following the completion of the Projects, each

month complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and is incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Projects, complete Payment Requisition Forms, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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

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

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for

operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the 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 7.18. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds. This lien is on a parity with the lien of the Prior Bonds.

Section 7.19. Compliance. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the construction of the Projects and the operation, maintenance and use of the System.

Section 7.20. Completion of Projects; Permits and Orders. The Issuer will complete the Projects as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Sections 8.02 and 8.03.

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

ARTICLE IX

DEFAULT AND REMEDIES

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds or the Prior Bonds; or

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

(3) If a default occurs under this Resolution;

(4) If a default occurs under the Prior Resolutions; or

(5) 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (I) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the

application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or

otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal

or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds and the Notes from the gross income of the Owners thereof.

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

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent

jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution and the Bond.

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

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

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

Adopted this 6th day of November, 1998.

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 6th day of November, 1998.

Dated: November 6, 1998.

[SEAL]

Secretary, Public Service Board

EXHIBIT "A"

The Bonds are being issued for the purpose of construction of improvements to the existing wastewater treatment plant. The plant capacity will be increased by 400,000 gallons per day to a capacity of 1,200,000 gallons per day. Improvements include a headworks structure, aeration/sludge holding tank, clarifier, effluent disinfection structure and equipment and sludge processing equipment.

EXHIBIT "B"

SRF-LP-1
(August 1998)

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION, a division of the West Virginia Bureau of Environment (the "DEP"), and the local government designated below (the "Local Government").

SHADY SPRING PUBLIC SERVICE DISTRICT
(Local Government)

WITNESSETH:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 20, Article 5I, of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program:

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

1.3 "Loan" means the loan to be made by the Authority and DEP to the Local Government through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

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

1.5 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Loan Agreement.

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

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

1.8 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.9 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

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

1.11 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

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

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

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

2.9 The Local Government shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

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

(d) The Local Government shall either have received bids or entered into contracts for the construction of the Project, which are in an amount and otherwise compatible with the plan of financing described in the Application; provided, that, if the Loan will refund an interim financing of construction, the Local Government must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and DEP shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit D;

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

(f) The Local Government shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

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

(h) The Local Government shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project) with all requisite appeal periods having expired, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountants for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions established by federal and state regulations as set forth in Exhibit E hereto at such times as are set forth in Exhibit E.

ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the written consent of the Authority and DEP; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

(vii) That the Local Government will not render any free services of the System;

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

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

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

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

not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider.

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

4.2 The Loan shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the Authority monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to make any loans shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to make the Loan.

recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Loan.

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

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

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

6.7 The Local Government hereby agrees to file with the Authority upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Loan made under this Loan Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the legislature or otherwise being available to make the Loan. In the event funds are not appropriated or otherwise available to make all of the Loan, the responsibility of the Authority and DEP to make all the Loan is terminated; provided further that the obligation of the Local Government to repay the amount of the Loan made by the Authority and DEP as set forth in (iii) above is not terminated due to such non-funding on any balance on the Loan. The DEP agrees to use its best efforts to have the amount contemplated under this Loan Agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default under the Loan Agreement.

EXHIBIT A

[Form of Performance Certificate]

[TO BE PROVIDED BY DEP]

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 9th day of Oct., 1998.

L. A. Gates Company

By _____

West Virginia License No. 5659

[SEAL]

R. LYNN LONG, C.E.
REGISTERED
NO. 5659
STATE OF
WEST VIRGINIA
PROFESSIONAL ENGINEER

EXHIBIT F

[Monthly Payment Form]

West Virginia Water Development
Authority
180 Association Drive
Charleston WV 25311-1571

Re: [Name of bond issue]

Dear Sirs:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Local Government] on _____, __.

Sinking Fund:

Interest $_____

Principal $_____

Total: $_____

Reserve Fund: $_____

Witness my signature this ___ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

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

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

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

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

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

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

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

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

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

Very truly yours,

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

EXHIBIT "C"

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2010	15,026.25	-	15,026.25
9/01/2010	15,026.25	-	15,026.25
12/01/2010	15,026.25	-	15,026.25
3/01/2011	15,026.25	-	15,026.25
6/01/2011	15,026.25	-	15,026.25
9/01/2011	15,026.25	-	15,026.25
12/01/2011	15,026.25	-	15,026.25
3/01/2012	15,026.25	-	15,026.25
6/01/2012	15,026.25	-	15,026.25
9/01/2012	15,026.25	-	15,026.25
12/01/2012	15,026.25	-	15,026.25
3/01/2013	15,026.25	-	15,026.25
6/01/2013	15,026.25	-	15,026.25
9/01/2013	15,026.25	-	15,026.25
12/01/2013	15,026.25	-	15,026.25
3/01/2014	15,026.25	-	15,026.25
6/01/2014	15,026.25	-	15,026.25
9/01/2014	15,026.25	-	15,026.25
12/01/2014	15,026.25	-	15,026.25
3/01/2015	15,026.25	-	15,026.25
6/01/2015	15,026.25	-	15,026.25
9/01/2015	15,026.25	-	15,026.25
12/01/2015	15,026.25	-	15,026.25
3/01/2016	15,026.25	-	15,026.25
6/01/2016	15,026.25	-	15,026.25
9/01/2016	15,026.25	-	15,026.25
12/01/2016	15,026.25	-	15,026.25
3/01/2017	15,026.25	-	15,026.25
6/01/2017	15,026.25	-	15,026.25
9/01/2017	15,026.25	-	15,026.25
12/01/2017	15,026.25	-	15,026.25
3/01/2018	15,026.25	-	15,026.25
6/01/2018	15,026.25	-	15,026.25
9/01/2018	15,026.25	-	15,026.25
12/01/2018	15,026.25	-	15,026.25
3/01/2019	15,026.25	-	15,026.25
6/01/2019	15,026.25	-	15,026.25
9/01/2019	15,026.25	-	15,026.25
12/01/2019	15,026.25	-	15,026.25
3/01/2020	15,026.25	-	15,026.25
Total	1,202,100.00	-	1,202,100.00

Shady Spring PSD, WV

SRF Loan No. C-544202

$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars	$13,830.83
Average Life	11.506 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	-6.73E-10
Bond Yield for Arbitrage Purposes	-6.73E-10
All Inclusive Cost (AIC)	0.8740761%

IRS FORM 8038

Net Interest Cost	-
Weighted Average Maturity	11.506 Years

Ferris, Baker Watts, Inc.
West Virginia Public Finance Department

File = SRFSHADY-091798- SINGLE PURPOSE
9/17/1998 4:13 PM

09/21/98 MON 16:32 FAX 3043401080 JACKSON KELLY

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1998A; DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on November 6, 1998 (the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BOND, SERIES 1998A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BOND; RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BOND; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998B (the "Bond") in aggregate principal amount not to exceed $1,300,000 in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bond should be established by a supplemental resolution;

WHEREAS, the Bond is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bond be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bond be herein provided for.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bond shall be in the aggregate principal amount of $1,202,100 with the following provisions:

(A) The Bond shall be originally issued in the form of a single bond, numbered R-1 in the principal amount of $1,202,100. The Bond shall be dated the date of delivery thereof, shall bear interest at the rate of zero percent (0%) per annum from the date of delivery to and including 2020, which principal shall be payable quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 2000, shall be subject to redemption upon the written consent of the Authority and DEP, the interest is 0%, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bond. The SRF 1% Administrative Fee shall be paid quarterly.

(B) The Bond shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bond shall be as provided in the Resolution, and the Bond shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bond by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby appoints and designates First State Bank & Trust, Beckley, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, National Association, Charleston, West Virginia, as Registrar for the Bond.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bond.

Section 7. The Chairman and Secretary/Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bond hereby and by the Resolution approved and provided for, to the end that the Bond may be delivered to the Authority pursuant to the Loan Agreement on or about November 6, 1998.

Section 8. The financing of the Project in part with proceeds of the Bond is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bond or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 11. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: November 6, 1998

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary/Treasurer

RESOLUTION OF THE SHADY SPRING PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO CONSTRUCTION AND OTHER SERVICES FOR THE PROPOSED SEWERAGE SYSTEM PROJECT AND AUTHORIZING PAYMENT THEREOF

WHEREAS, The Shady Spring Public Service District has reviewed the invoices attached hereto and incorporated herein by reference relating to the construction of the SEWERAGE System Project (Project) funded by the Sewer System Revenue Bonds, Series 1998A and an ARC Grant and finds as follows:

(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 services for the Project;

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

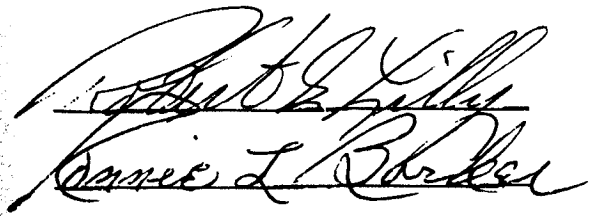
(d) That payment for each of the items proposed is then due and owing.

NOW, THEREFORE, BE IT RESOLVED by the Shady Spring Public Service District as follows:

There is hereby authorized and directed the payment of the attached invoices as summarized as follows:

L. A. Gates Engineers and Consultants	$72,502.00
Anderson, Parkulo & Stansbury	$ 2,338.00
Administrative	$ 218.00
Permits	$ 495.00
Miscellaneous	$ 925.00
Reserve Fund	$60,105.00
Bond Counsel - John T. Poffenbarger	$10,000.00
Total	$146,583.00

Adopted by the Shady Spring Public Service District at a meeting held on the 6th day of November, 1998.



SHADY SPRING PUBLIC SERVICE DISTRICT
(SRF)

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION OF THE FACILITY AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE PUBLIC SEWERAGE FACILITY OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $900,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1998B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of each Bond, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"Bond" or "Bonds" means the Shady Spring Public Service District Sewerage System Revenue Bonds, Series 1998B, originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bond in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bond for a portion of the proceeds representing the purchase of the Bond by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Consulting Engineers" means L. A. Gates Company, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the planning and design of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04G hereof to be a part of the cost of planning, design, acquisition and construction of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1998B Bond, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings, over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Bond, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

"Facility" means the Glade Springs facility to be purchased by the District, all as more fully described in Exhibit A hereto.

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

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates

evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(I) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the

outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to 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), or any Tap Fees, as hereinafter defined.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property,

excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" or "District" means the Shady Spring Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund Loan Agreement dated October 23, 1998, by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts. For purposes of the Private Business use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

"Original Bonds" or "Bonds" means not to exceed $900,000 Shady Spring Public Service District Sewer System Revenue Bonds, Series 1998B.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds, Series 1982B, issued in the original principal amount of $795,515 (the "Series 1982B Bonds"), the District's Sewer Revenue Bonds, Series 1994A, issued in the original principal amount of $170,532 (the "Series 1994A Bonds") the District's Sewer Revenue Bonds, Series 1996A, issued in the original prinicpal amount of $151,800 (the "1996A Bonds,") the District's Sewer Revenue Bonds, Series 1997B, issued in the original principal amount of $179,000 (the "Series 1997B Bonds") the District's Sewer Revenue Bonds, Series 1997C Bond issued in the original principal amount of $2,500,000 (the "Series 1997C Bonds") the District's Sewer Refunding Revenue Bonds, Series 1997D issued in the original principal amount of 3,056,954.52 (the "Series 1997D Bonds"), the District's Sewer Refunding Revenue Bonds, Series 1998A issued in the original principal amount of $1,202,100 (the "Series 1998A Bonds"), and collectively with the Series 1982B Bonds, Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C Bonds, the Series 1997D Bonds and the Series 1998A Bonds, (the "Prior Bonds").

"Prior Resolutions" means the District's Sewer Revenue Bonds, Series 1982B Bond Resolution adopted August 1, 1982, the District's Sewer Revenue Bonds, Series 1994A Bond Resolution adopted June 6, 1994, the District's Sewer Revenue Bonds, Series 1996A Bond Resolution adopted April 25, 1996, the District's Sewer Revenue Bonds, Series 1997B Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Bonds, Series 1997C Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Refunding

Bonds, Series 1997D Bond Resolution adopted June 24, 1997, and the District's Sewer Revenue Bonds, Series 1998A Bond Resolution adopted November 25, 1998 by the Board with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" shall mean the planning and design of certain extensions, additions, betterments and improvements to the sewerage facility program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" means the acquisition of the facility and construction of certain extensions, additions, betterments and improvements to the sewerage facility by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. 98-0490-S-PSD-PC which grants the Issuer approval of financing.

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

(a) Government Obligations;

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

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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;

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

(h) Advance-Refunded Municipal Bonds.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01(2).

"Reserve Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

"Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest with will become due on the Bonds in the then current or any succeeding year.

"Resolution" shall mean this Resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(1).

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

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

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

"Series 1982 B Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(L) issued August 1, 1982, in the original amount of $795,515.

"Series 1994 A Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(L) issued June 8, 1994, in the original amount of $170,532.

"Series 1996A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued April 25, 1996, in the original amount of $151,800.

"Series 1997B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued June 24, 1997, in the original amount of $179,000.

"Series 1997C Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued June 24, 1997, in the original amount of $2,197,304.

"Series 1997D Bonds" means the Sewer Revenue Refunding Bonds of the Issuer described in Section 1.04(L) issued June 24, 1997, in the original amount of $3,052,954.52.

"Series 1998A Bonds" means the Sewer Revenue Refunding Bonds of the Issuer described in Section 1.04(L) issued November 25, 1998, in the original amount of $1,202,100.

"Sinking Fund" mean the Sinking Fund established by Section 5.02(1) hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution or the Prior Resolutions to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Projects.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto, both within and without the boundaries of the District, and shall include any extensions, additions, betterments and improvements thereto, including the facility as described in Exhibit A, hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without said District.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bond, produces an amount equal to the Purchase Price

of such Nonpurpose Investment or the Bond, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

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

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, that there be acquired the facility and constructed, the Project,

consisting of certain improvements, extensions or betterments to the facility, as described in Exhibit A attached hereto at an aggregate estimated cost of not more than $900,000 in accordance with plans and specifications to be prepared by the Consulting Engineers, which plans and specifications following approval by DEP will be on file with the District.

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 the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and the Prior Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the acquisition and construction of the Project is $900,000, which will be permanently obtained from the Bonds herein authorized. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Costs of the Projects.

F. The period of usefulness of the System after completion of the Projects will not be less than twenty (20) years.

G. It is deemed necessary for the Issuer to issue its sewer system revenue bonds in the aggregate principal amount of not more than $900,000 initially to be represented by a single bond, being the Shady Spring Public Service District Sewer System Revenue Bonds, Series 1998B, to permanently finance the costs of acquisition of the facility and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the acquisition of the facility and construction of said extensions, additions, betterments and improvements to the Systemm, funding the Reserve Account and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the Tap Fee; the cost of interim financing for such Project; interest on the bonds, prior to, during and for six months after the estimated date of completion of acquisition and construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said construction and acquisition of the project and placing the same in operation and the financing authorized by this Resolution.

H. It is in the best interests of the Issuer that the Series 1998B Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

I. It is in the best interest of the Issuer that the Series 1998B Bond be secured by and payable from the Net Revenues of the System on a parity with the Prior Bonds.

J. It is in the best interests of the Issuer that its Series 1998B Bonds be sold to the Authority pursuant to a Loan Agreement and made a part hereof, to take advantage of the favorable terms available to the Issuer.

K. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition of the facility and construction, operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired and the written approval of the West Virginia Infrastructure and Jobs Development Council.

L. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows:

Designation	Lien Position
Water Development Authority - Sewer Revenue Bonds, Series 1982B dated August 1, 1982, issued in the original principal amount of $795,515 (the "Series 1982 B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1994A dated June 6, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)

Water Development Authority - Sewer Revenue Bonds, Series 1996A dated April 25, 1996, issued in the original principal amount of $151,800 (the "1996A Bonds").	First Lien (Parity)
United States Department of Agriculture Rural Utilities Service - Sewer Revenue Bonds, Series 1997B dated June 24, 1997, issued in the original prinicpal amount of $179,000 (the "Series 1997B Bonds")	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1997C dated June 24, 1997, issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Refunding Bonds, Series 1997D dated June 24, 1997, issued in the original principal amount of $3,056,954.52 (the "Series 1997D Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1998A dated November 25, 1998, issued in the original principal amount of $1,202,100 (the "Series 1998A Bonds");	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C Bonds, Series 1997D Bonds, and the Series 1998A Bond are hereinafter called the "Prior Bonds."

The Bonds shall be issued on a parity with the Prior Bonds with respect to the liens, pledge and source of and security for payment and in all other respects the Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

M. The Issuer has, by certification from an independent certified public accountant, met the parity tests of the Prior Resolutions.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the acquisition of the facility and construction of the Project in accordance with plans and specifications prepared by the Consulting Engineers, approved by DEP and the Issuer and is on file in the office of the Board.

Prior to issuing the Bonds for the acquisition of the facility and construction of the Project, the Issuer must receive acceptable bids or enter into contracts for the acquisition of the facility and construction of the Project, compatible with the financing plan submitted to the Program.

ARTICLE III

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

Section 3.01. Authorization of Bond. For the purposes of financing a portion of the costs, not otherwise provided, of the acquisition of the facility and construction of the Project, funding a reserve account for the Bond, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $900,000 for the Series 1998B Bond. Said Bond shall be issued as one bond to be designated "Shady Spring Public Service District Sewer System Revenue Bonds, Series 1998B." Original Bonds shall be dated as of the date of delivery thereof, shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of issuance, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bonds shall not bear interest during the acquisition and construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Bonds shall be as set forth on Schedule Y to the Loan Agreement. The Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Bonds. The SRF 1% Administrative Fee shall be paid quarterly.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Bond shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said

Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of bonds may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bond. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bonds to the Authority, the District covenants that the Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority and/or DEP.

Section 3.04. Execution of Bond. 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-Treasurer. 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 Series 1998B Bond has 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 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and

complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be 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.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other bonds issued hereunder.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System and Facility on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, the Reserve Account herein and in the Renewal and Replacement Fund hereinafter continued or established and to make the payments requested by this Resolution, the Prior Resolutions, and are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due.

Section 3.10. Form of Series 1998B Bond. The text of the Series 1998B Bond shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof.

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BOND, SERIES 1998B

No. R-1 $839,000

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 $839,000 or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in installments on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March in each year beginning June 1, 1999, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of zero percent (0%) per annum as set forth on said Exhibit B. The SRF Administrative Fee of 1% shall also be payable quarterly on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March of each year beginning June 1, 1999 as set forth on Exhibit B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the 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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated October 23, 1998 among the Authority, the DEP and the Issuer.

This Bond is issued in the aggregate principal amount of $ 839,000 (i) to pay the costs of acquisition of the facility and construction of certain improvements and extensions to the sewerage system of the Issuer (the "Project"), (ii) to fully fund the Reserve Account; 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 Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the Issuer on the 17th day of December, 1998, and a Supplemental Resolution adopted by the Issuer on the 17th day of December, 1998 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED IN THE RESOLUTION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bond (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest, if any, on all obligations on a parity with or prior to the Bonds including the Prior Bonds payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on said Bond in the then current year or any succeeding year and the reserve account for any other obligations

outstanding on a parity with the Bond including the Prior Bonds, is funded at 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 Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, West Virginia 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 Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, SHADY SPRING 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-Treasurer, and has caused this Bond to be dated December 17, 1998.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998B Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: December 17, 1998

Bank One, West Virginia, National Association,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $834,817	December 17, 1998	(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

EXHIBIT B

Glade Springs System Purchase for Shady Spring PSD, WV

SRF Loan No. C-544254

$839,000; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	10,487.50	-	10,487.50
9/01/1999	10,487.50	-	10,487.50
12/01/1999	10,487.50	-	10,487.50
3/01/2000	10,487.50	-	10,487.50
6/01/2000	10,487.50	-	10,487.50
9/01/2000	10,487.50	-	10,487.50
12/01/2000	10,487.50	-	10,487.50
3/01/2001	10,487.50	-	10,487.50
6/01/2001	10,487.50	-	10,487.50
9/01/2001	10,487.50	-	10,487.50
12/01/2001	10,487.50	-	10,487.50
3/01/2002	10,487.50	-	10,487.50
6/01/2002	10,487.50	-	10,487.50
9/01/2002	10,487.50	-	10,487.50
12/01/2002	10,487.50	-	10,487.50
3/01/2003	10,487.50	-	10,487.50
6/01/2003	10,487.50	-	10,487.50
9/01/2003	10,487.50	-	10,487.50
12/01/2003	10,487.50	-	10,487.50
3/01/2004	10,487.50	-	10,487.50
6/01/2004	10,487.50	-	10,487.50
9/01/2004	10,487.50	-	10,487.50
12/01/2004	10,487.50	-	10,487.50
3/01/2005	10,487.50	-	10,487.50
6/01/2005	10,487.50	-	10,487.50
9/01/2005	10,487.50	-	10,487.50
12/01/2005	10,487.50	-	10,487.50
3/01/2006	10,487.50	-	10,487.50
6/01/2006	10,487.50	-	10,487.50
9/01/2006	10,487.50	-	10,487.50
12/01/2006	10,487.50	-	10,487.50
3/01/2007	10,487.50	-	10,487.50
6/01/2007	10,487.50	-	10,487.50
9/01/2007	10,487.50	-	10,487.50
12/01/2007	10,487.50	-	10,487.50
3/01/2008	10,487.50	-	10,487.50
6/01/2008	10,487.50	-	10,487.50
9/01/2008	10,487.50	-	10,487.50
12/01/2008	10,487.50	-	10,487.50
3/01/2009	10,487.50	-	10,487.50
6/01/2009	10,487.50	-	10,487.50
9/01/2009	10,487.50	-	10,487.50
12/01/2009	10,487.50	-	10,487.50
3/01/2010	10,487.50	-	10,487.50
6/01/2010	10,487.50	-	10,487.50

Glade Springs System Purchase for Shady Spring PSD, WV

SRF Loan No. C-544254

$839,000; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	10,487.50	-	10,487.50
9/01/1999	10,487.50	-	10,487.50
12/01/1999	10,487.50	-	10,487.50
3/01/2000	10,487.50	-	10,487.50
6/01/2000	10,487.50	-	10,487.50
9/01/2000	10,487.50	-	10,487.50
12/01/2000	10,487.50	-	10,487.50
3/01/2001	10,487.50	-	10,487.50
6/01/2001	10,487.50	-	10,487.50
9/01/2001	10,487.50	-	10,487.50
12/01/2001	10,487.50	-	10,487.50
3/01/2002	10,487.50	-	10,487.50
6/01/2002	10,487.50	-	10,487.50
9/01/2002	10,487.50	-	10,487.50
12/01/2002	10,487.50	-	10,487.50
3/01/2003	10,487.50	-	10,487.50
6/01/2003	10,487.50	-	10,487.50
9/01/2003	10,487.50	-	10,487.50
12/01/2003	10,487.50	-	10,487.50
3/01/2004	10,487.50	-	10,487.50
6/01/2004	10,487.50	-	10,487.50
9/01/2004	10,487.50	-	10,487.50
12/01/2004	10,487.50	-	10,487.50
3/01/2005	10,487.50	-	10,487.50
6/01/2005	10,487.50	-	10,487.50
9/01/2005	10,487.50	-	10,487.50
12/01/2005	10,487.50	-	10,487.50
3/01/2006	10,487.50	-	10,487.50
6/01/2006	10,487.50	-	10,487.50
9/01/2006	10,487.50	-	10,487.50
12/01/2006	10,487.50	-	10,487.50
3/01/2007	10,487.50	-	10,487.50
6/01/2007	10,487.50	-	10,487.50
9/01/2007	10,487.50	-	10,487.50
12/01/2007	10,487.50	-	10,487.50
3/01/2008	10,487.50	-	10,487.50
6/01/2008	10,487.50	-	10,487.50
9/01/2008	10,487.50	-	10,487.50
12/01/2008	10,487.50	-	10,487.50
3/01/2009	10,487.50	-	10,487.50
6/01/2009	10,487.50	-	10,487.50
9/01/2009	10,487.50	-	10,487.50
12/01/2009	10,487.50	-	10,487.50
3/01/2010	10,487.50	-	10,487.50
6/01/2010	10,487.50	-	10,487.50

Glade Springs System Purchase for Shady Spring PSD, WV

SRF Loan No. C-544254

$839,000; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2010	10,487.50	-	10,487.50
12/01/2010	10,487.50	-	10,487.50
3/01/2011	10,487.50	-	10,487.50
6/01/2011	10,487.50	-	10,487.50
9/01/2011	10,487.50	-	10,487.50
12/01/2011	10,487.50	-	10,487.50
3/01/2012	10,487.50	-	10,487.50
6/01/2012	10,487.50	-	10,487.50
9/01/2012	10,487.50	-	10,487.50
12/01/2012	10,487.50	-	10,487.50
3/01/2013	10,487.50	-	10,487.50
6/01/2013	10,487.50	-	10,487.50
9/01/2013	10,487.50	-	10,487.50
12/01/2013	10,487.50	-	10,487.50
3/01/2014	10,487.50	-	10,487.50
6/01/2014	10,487.50	-	10,487.50
9/01/2014	10,487.50	-	10,487.50
12/01/2014	10,487.50	-	10,487.50
3/01/2015	10,487.50	-	10,487.50
6/01/2015	10,487.50	-	10,487.50
9/01/2015	10,487.50	-	10,487.50
12/01/2015	10,487.50	-	10,487.50
3/01/2016	10,487.50	-	10,487.50
6/01/2016	10,487.50	-	10,487.50
9/01/2016	10,487.50	-	10,487.50
12/01/2016	10,487.50	-	10,487.50
3/01/2017	10,487.50	-	10,487.50
6/01/2017	10,487.50	-	10,487.50
9/01/2017	10,487.50	-	10,487.50
12/01/2017	10,487.50	-	10,487.50
3/01/2018	10,487.50	-	10,487.50
6/01/2018	10,487.50	-	10,487.50
9/01/2018	10,487.50	-	10,487.50
12/01/2018	10,487.50	-	10,487.50
3/01/2019	10,487.50	-	10,487.50
Total	$839,000.00	-	$839,000.00

Glade Springs System Purchase for Shady Spring PSD, WV

SRF Loan No. C-544254

$839,000; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars	$8,737.25
Average Life	10.414 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	-9.61E-11
Bond Yield for Arbitrage Purposes	-9.61E-11
All Inclusive Cost (AIC)	0.9718216%

IRS FORM 8038

Net Interest Cost	-
Weighted Average Maturity	10.414 Years

Ferris, Baker Watts, Inc. *File = SRFGLADE-101998- SINGLE PURPOSE*

West Virginia Public Finance Department *10/19/1998 9:38 AM*

Glade Springs System Purchase for Shady Spring PSD, WV

SRF Loan No. C-544254

$839,000; 20 Years; 0% Interest; 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I	Admin. Fee	Net New D/S
12/01/1998	-	-	-	-	-
3/01/1999	-	-	-	-	-
6/01/1999	10,487.50	-	10,487.50	2,097.50	12,585.00
9/01/1999	10,487.50	-	10,487.50	2,071.29	12,558.79
12/01/1999	10,487.50	-	10,487.50	2,045.07	12,532.57
3/01/2000	10,487.50	-	10,487.50	2,018.85	12,506.35
6/01/2000	10,487.50	-	10,487.50	1,992.63	12,480.13
9/01/2000	10,487.50	-	10,487.50	1,966.41	12,453.91
12/01/2000	10,487.50	-	10,487.50	1,940.19	12,427.69
3/01/2001	10,487.50	-	10,487.50	1,913.97	12,401.47
6/01/2001	10,487.50	-	10,487.50	1,887.75	12,375.25
9/01/2001	10,487.50	-	10,487.50	1,861.54	12,349.04
12/01/2001	10,487.50	-	10,487.50	1,835.32	12,322.82
3/01/2002	10,487.50	-	10,487.50	1,809.10	12,296.60
6/01/2002	10,487.50	-	10,487.50	1,782.88	12,270.38
9/01/2002	10,487.50	-	10,487.50	1,756.66	12,244.16
12/01/2002	10,487.50	-	10,487.50	1,730.44	12,217.94
3/01/2003	10,487.50	-	10,487.50	1,704.22	12,191.72
6/01/2003	10,487.50	-	10,487.50	1,678.00	12,165.50
9/01/2003	10,487.50	-	10,487.50	1,651.79	12,139.29
12/01/2003	10,487.50	-	10,487.50	1,625.57	12,113.07
3/01/2004	10,487.50	-	10,487.50	1,599.35	12,086.85
6/01/2004	10,487.50	-	10,487.50	1,573.13	12,060.63
9/01/2004	10,487.50	-	10,487.50	1,546.91	12,034.41
12/01/2004	10,487.50	-	10,487.50	1,520.69	12,008.19
3/01/2005	10,487.50	-	10,487.50	1,494.47	11,981.97
6/01/2005	10,487.50	-	10,487.50	1,468.25	11,955.75
9/01/2005	10,487.50	-	10,487.50	1,442.04	11,929.54
12/01/2005	10,487.50	-	10,487.50	1,415.82	11,903.32
3/01/2006	10,487.50	-	10,487.50	1,389.60	11,877.10
6/01/2006	10,487.50	-	10,487.50	1,363.38	11,850.88
9/01/2006	10,487.50	-	10,487.50	1,337.16	11,824.66
12/01/2006	10,487.50	-	10,487.50	1,310.94	11,798.44
3/01/2007	10,487.50	-	10,487.50	1,284.72	11,772.22
6/01/2007	10,487.50	-	10,487.50	1,258.50	11,746.00
9/01/2007	10,487.50	-	10,487.50	1,232.29	11,719.79
12/01/2007	10,487.50	-	10,487.50	1,206.07	11,693.57
3/01/2008	10,487.50	-	10,487.50	1,179.85	11,667.35
6/01/2008	10,487.50	-	10,487.50	1,153.63	11,641.13
9/01/2008	10,487.50	-	10,487.50	1,127.41	11,614.91
12/01/2008	10,487.50	-	10,487.50	1,101.19	11,588.69
3/01/2009	10,487.50	-	10,487.50	1,074.97	11,562.47
6/01/2009	10,487.50	-	10,487.50	1,048.75	11,536.25
9/01/2009	10,487.50	-	10,487.50	1,022.54	11,510.04
12/01/2009	10,487.50	-	10,487.50	996.32	11,483.82
3/01/2010	10,487.50	-	10,487.50	970.10	11,457.60
6/01/2010	10,487.50	-	10,487.50	943.88	11,431.38

Glade Springs System Purchase for Shady Spring PSD, WV

SRF Loan No. C-544254

$839,000; 20 Years; 0% Interest; 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I	Admin. Fee	Net New D/S
9/01/2010	10,487.50	-	10,487.50	917.66	11,405.16
12/01/2010	10,487.50	-	10,487.50	891.44	11,378.94
3/01/2011	10,487.50	-	10,487.50	865.22	11,352.72
6/01/2011	10,487.50	-	10,487.50	839.00	11,326.50
9/01/2011	10,487.50	-	10,487.50	812.79	11,300.29
12/01/2011	10,487.50	-	10,487.50	786.57	11,274.07
3/01/2012	10,487.50	-	10,487.50	760.35	11,247.85
6/01/2012	10,487.50	-	10,487.50	734.13	11,221.63
9/01/2012	10,487.50	-	10,487.50	707.91	11,195.41
12/01/2012	10,487.50	-	10,487.50	681.69	11,169.19
3/01/2013	10,487.50	-	10,487.50	655.47	11,142.97
6/01/2013	10,487.50	-	10,487.50	629.25	11,116.75
9/01/2013	10,487.50	-	10,487.50	603.04	11,090.54
12/01/2013	10,487.50	-	10,487.50	576.82	11,064.32
3/01/2014	10,487.50	-	10,487.50	550.60	11,038.10
6/01/2014	10,487.50	-	10,487.50	524.38	11,011.88
9/01/2014	10,487.50	-	10,487.50	498.16	10,985.66
12/01/2014	10,487.50	-	10,487.50	471.94	10,959.44
3/01/2015	10,487.50	-	10,487.50	445.72	10,933.22
6/01/2015	10,487.50	-	10,487.50	419.50	10,907.00
9/01/2015	10,487.50	-	10,487.50	393.29	10,880.79
12/01/2015	10,487.50	-	10,487.50	367.07	10,854.57
3/01/2016	10,487.50	-	10,487.50	340.85	10,828.35
6/01/2016	10,487.50	-	10,487.50	314.63	10,802.13
9/01/2016	10,487.50	-	10,487.50	288.41	10,775.91
12/01/2016	10,487.50	-	10,487.50	262.19	10,749.69
3/01/2017	10,487.50	-	10,487.50	235.97	10,723.47
6/01/2017	10,487.50	-	10,487.50	209.75	10,697.25
9/01/2017	10,487.50	-	10,487.50	183.54	10,671.04
12/01/2017	10,487.50	-	10,487.50	157.32	10,644.82
3/01/2018	10,487.50	-	10,487.50	131.10	10,618.60
6/01/2018	10,487.50	-	10,487.50	104.88	10,592.38
9/01/2018	10,487.50	-	10,487.50	78.66	10,566.16
12/01/2018	10,487.50	-	10,487.50	52.44	10,539.94
3/01/2019	10,487.50	-	10,487.50	26.22	10,513.72
Total	**839,000.00**	**-**	**839,000.00**	**84,849.10**	**923,849.10**

Form of Assignment

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

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary-Treasurer is directed to affix the seal of the Issuer thereto, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery of the Loan Agreement is hereby authorized, ratified and approved.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers, in the form attached to the SRF Loan Agreement, to the effect that the Project has been designed as provided in the Program application and will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, that the Project will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of the acquisition of the facility and construction of the Project.

Section 3.13. Amended Schedule A Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority its schedule, in substantially the form of "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created 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 (or continue pursuant to Prior Resolutions):

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Bond Acquisition and Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1998B Bond Sinking Funds;

(a) Within the Series 1998B Bond Sinking Funds, the Series 1998B Bond 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 created pursuant to Section 5.03 of the Prior Resolutions and which is continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided. As long as the Prior Bonds are Outstanding, the Issuer shall make the payments required by Section 5.03A of the Prior Resolutions and simultaneously make the payments set forth hereinafter.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, make the payments required by Section 5.03A(2) of the Prior Resolutions and commencing on the first day of each month, 4 months prior to the first date of payment of interest on the Series 1998B Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998B Bond Sinking Fund, a sum equal to 1/3rd of the amount of interest which will mature and become due on said Series 1998B Bond on the next ensuing quarterly payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998B Bond Sinking Fund and the next quarterly payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly payment date.

(3) Next from the moneys in the Revenue Fund, the Issuer shall (a) on the first day of each month, make the payment required by Sections 5.03A(3) of the Prior Resolutions and, commencing 4 months prior to the first date of payment of principal on the

Series 1998B Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998B Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1998B Bond 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 1998B Bond Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

The Issuer shall complete the "Monthly Payment Form," the form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its remittance checks to the Authority by the 6th day of such calendar month.

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 5.03 A(4) of the Prior Resolutions commencing on the first day of each month, 3 months prior to the first date of payment of principal of the Series 1998B Bond, if not fully funded upon issuance of the Series 1998B Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998B Reserve Account, an amount equal to 1/120 of the Series 1998B Reserve Requirement; provided, that no further payments shall be made into the Series 1998B 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 1998B Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolutions, not in addition to). 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 Prior Bonds Reserve Account, or the Series 1998B Bond Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1998B Bond Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998B Bond as the same shall become due. Moneys in the Series 1998B Bond Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Series 1998B Bond as the same shall come due, when other moneys in the Sinking Funds are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Acquisition and Construction Trust Fund prior to completion of the Projects and thereafter, to the Sinking Funds.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to an amount below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Funds for payment of debt service on the Bond have been made in full.

B. As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the Sinking Funds sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in an amount equal to the Reserve Requirements.

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 Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

I. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

Section 5.04. Excess Bond Proceeds. The Issuer shall place any proceeds from the Bonds not required for the Project Costs in the respective Reserve Account to the extent that the balances therein are not equal to the respective Reserve Requirements.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. The moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the Bond Acquisition and Construction Trust Fund established in Section 5.01(3) hereof.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Acquisition and Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Acquisition and Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Acquisition and Construction Trust Fund shall be used solely to pay Costs of the Projects and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Acquisition and Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Projects shall be made monthly.

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

(1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

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

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

(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 Issuer shall disburse from the Bond Acquisition and Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Acquisition and 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 Acquisition and Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Acquisition and Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any owner or owners of the Bond as if they were set forth in full in this Resolution. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Bond as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is Outstanding and unpaid.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Original Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Prior Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Account herein, and all other payments provided for in the Prior Resolutions and this Resolution 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 this Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bond, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder . Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and is funded at least at the requirement provided for in the Resolution, such

balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bond.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Projects and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Upon completion of the Projects, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Projects and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law and the terms of the Prior Resolutions, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds and Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and prior, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no

such prior obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

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

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

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition and construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate acquisition and construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject

to the prior and superior lien of the Outstanding 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 Bond.

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

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Projects as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Projects; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the acquisition and construction costs to complete the Projects, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.09. Insurance and Acquisition and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of any contract, workers' compensation coverage, public liability

insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bond. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Projects, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during acquisition and construction of the Projects in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

The Issuer shall require all contractors engaged in the acquisition and construction of the Projects 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 Projects covered by the particular contract as security for the faithful performance of such contract.

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authorityand the DEP covering the supervision and inspection of the development of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers. Such resident engineer shall certify to the Authority, the DEP and the Issuer, at the completion of construction, that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer agrees that it will, at all times, provide operation and maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel, properly certified by the State, will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

The Issuer agrees that qualified operating personnel, properly certified by the State, will be retained to operate the System during the entire term of the Loan Agreement.

Section 7.11. Compliance With Loan Agreements, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the planning and design of the Projects and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquisition and construction of the Projects. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the installation of the Projects, the operation and maintenance of the System and the administration of the Loan Agreement or other sources of financing for the Projects.

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any owner of a Bond or Bonds issued pursuant to the Resolution shall have the right at all reasonable times

to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Authority shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Projects and for two years following the completion of the Projects, each month complete a Monthly Financial Report, the form of which is attached to the Loan

Agreement as Exhibit B and is incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Projects, complete Payment Requisition Forms, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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

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

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for

operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the 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 7.18. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds. This lien is on a parity with the lien of the Prior Bonds.

Section 7.19. Compliance. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the construction of the Projects and the operation, maintenance and use of the System.

Section 7.20. Completion of Projects; Permits and Orders. The Issuer will complete the Projects as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Sections 8.02 and 8.03.

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

ARTICLE IX

DEFAULT AND REMEDIES

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds or the Prior Bonds; or

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

(3) If a default occurs under this Resolution;

(4) If a default occurs under the Prior Resolutions; or

(5) 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (I) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the

application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or

otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal

or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds and the Notes from the gross income of the Owners thereof.

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

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent

jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution and the Bond.

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

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

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

Adopted this 17th day of December, 1998.

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 17th day of December, 1998.

Dated: December 17, 1998.

[SEAL]

Secretary, Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECTS

The Bonds are being issued for the purpose of financing the acquisition of the existing Glade Springs wastewater collection system; funding the reserve account and paying costs of issuance. The wastewater collection system consists of approximately 63,000 l.f. of 8-inch gravity sewer, 6,100 l.f. of 6-inch gravity sewer, 248 manholes, 2,600 l.f. of force main and three pump stations. Purchase of the system will add approximately 340 customers to the Shady Spring Public Service District's system.

EXHIBIT B

LOAN AGREEMENT
(Tab 11)

EXHIBIT C

SCHEDULE OF RATES

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1998B; DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on December 17, 1998 (the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE ACQUISITION OF THE FACILITY AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE PUBLIC SEWERAGE FACILITY OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $900,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1998B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998B (the "Bond") in aggregate principal amount not to exceed $900,000 in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia

Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bond should be established by a supplemental resolution;

WHEREAS, the Bond is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bond be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bond be herein provided for.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bond shall be in the aggregate principal amount of $839,000 with the following provisions:

(A) The Bond shall be originally issued in the form of a single bond, numbered R-1, in the principal amount of $839,000. The Bond shall be dated the date of delivery thereof, shall bear interest at the rate of zero percent (0%) per annum from the date of delivery to and including the 20 year life of the loan, which principal shall be payable quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 1999, shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bond. The SRF 1% Administrative Fee shall be paid quarterly.

(B) The Bond shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bond shall be as provided in the Resolution, and the Bond shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bond by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby appoints and designates First State Bank & Trust, Beckley, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, Charleston, National Association, Charleston, West Virginia, as Registrar for the Bond.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bond.

Section 7. The Chairman and Secretary/Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bond hereby and by the Resolution approved and provided for, to the end that the Bond may be delivered to the Authority pursuant to the Loan Agreement on or about October 23, 1998.

Section 8. The financing of the Project in part with proceeds of the Bond is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bond or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 11. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: December 17, 1998

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary/Treasurer

RESOLUTION OF THE SHADY SPRING PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO ACQUISITION AND OTHER SERVICES FOR THE PROPOSED WASTEWATER SYSTEM PROJECT AND AUTHORIZING PAYMENT THEREOF

WHEREAS, The Shady Spring Public Service District has reviewed the invoices attached hereto and incorporated herein by reference relating to the acquisition of the Wastewater System Project (Project) funded by the Sewer System Revenue Bonds, Series 1998B (Infrastructure Fund) and an Infrastructure Fund Grant and finds as follows:

(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 services for 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.

NOW, THEREFORE, BE IT RESOLVED by the Shady Spring Public Service District as follows:

There is hereby authorized and directed the payment of the attached invoices as summarized as follows:

Glade Spring facility purchase	$780,000.00
Anderson, Parkulo & Stansbury	$ 7,586.00
Administrative	$ 131.00
Reserve Fund	$ 42,100.00
Bond Counsel - John T. Poffenbarger	$ 5,000.00
Total	$834,817.00

Adopted by the Shady Spring Public Service District at a meeting held on the 17th day of December, 1998.

SHADY SPRING PUBLIC SERVICE DISTRICT
(SRF)

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE PUBLIC SEWERAGE FACILITY OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $800,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1999A, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; AUTHORIZING EXECUTION AND DELIVERY OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act, as hereafter defined and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means collectively Chapter 16, Article 13A and Chapter 22C, Article 62 of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of each Bond, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"Bond" or "Bonds" means the Shady Spring Public Service District Sewerage System Revenue Bonds, Series 1999A, originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"Bond Construction Trust Fund" shall mean the fund created by Section 5.01.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bond in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bond for a portion of the proceeds representing the purchase of the Bond by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Consulting Engineers" means L. A. Gates Company, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the planning and design of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04G hereof to be a part of the cost of planning, design, acquisition and construction of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds, as hereinafter defined, during the period of computation,

excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings, over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the 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 thereof.

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original

proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to 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), or any Tap Fees, as hereinafter defined.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes, (the term specified private activity bonds as defined in Section 57(a)(5)(c) of the Code).

"Issuer" or "District" means the Shady Spring Public Service District, a public service district/public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund (SRF) Loan Agreement dated October 23, 1998, by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts. For purposes of the Private Business use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs of Projects, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent, other than those capitalized as part of the Costs of Projects, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from

the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds" means not to exceed $800,000 Shady Spring Public Service District Sewer System Revenue Bonds, Series 1999A.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds, Series 1982B, issued in the original principal amount of $795,515 (the "Series 1982B Bonds"), the District's Sewer Revenue Bonds, Series 1994A, issued in the original principal amount of $170,532 (the "Series 1994A Bonds") the District's Sewer Revenue Bonds, Series 1996A, issued in the original prinicpal amount of $151,800 (the "1996A Bonds,"), the District's Sewer Revenue Bonds, Series 1997C Bond issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds") the District's Sewer Refunding Revenue Bonds, Series 1997D issued in the original principal amount of 3,056,954.52 (the "Series 1997D Bonds"), the District's Sewer Revenue Bonds, Series 1998A issued in the original principal amount of $1,202,100 (the "Series 1998A Bonds"), District's Sewer Revenue Bonds, Series 1998B issued in the original principal amount of $839,000 (the "Series 1998B Bonds"), and collectively with the Series 1982B Bonds, Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds, and the Series 1999B Bonds which are being issued simultaneously herewith (see Series 1999B Bond Resolution), (the "Prior Bonds"). The District's Sewer Revenue Bonds, Series 1997B, issued in the original principal amount of

$179,000 (the "Series 1997B Bonds") will be paid simultaneously with the issuance of the Bonds

"Prior Resolutions" means the District's Sewer Revenue Bonds, Series 1982B Bond Resolution adopted August 1, 1982, the District's Sewer Revenue Bonds, Series 1994A Bond Resolution adopted June 6, 1994, the District's Sewer Revenue Bonds, Series 1996A Bond Resolution adopted April 25, 1996, the District's Sewer Revenue Bonds, Series 1997B Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Bonds, Series 1997C Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Refunding Bonds, Series 1997D Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Bonds, Series 1998A Bond Resolution adopted November 25, 1998, the District's Sewer Revenue Bonds, Series 1998B Bond Resolution adopted December 17, 1998, the Series 1999B Bonds which are being issued simultaneously herewith by the Board with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" shall mean the planning and design of certain extensions, additions, betterments and improvements to the sewerage facility program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" means the construction of certain extensions, additions, betterments and improvements to the system substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. 95-0839-PSD-CN which grants the Issuer approval of financing.

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

(a) Government Obligations;

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

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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;

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

(h) Advance-Refunded Municipal Bonds.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01(2).

"Reserve Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

"Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest with will become due on the Bonds in the then current or any succeeding year.

"Resolution", "Bond Resolution" or "Local Act" shall mean this Resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(1).

"SRF" means the Water Pollution Control Revolving Fund.

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

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

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

"Series 1982 B Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(L) issued August 1, 1982, in the original amount of $795,515.

"Series 1994 A Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(L) issued June 8, 1994, in the original amount of $170,532.

"Series 1996A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued April 25, 1996, in the original amount of $151,800.

"Series 1997B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued June 24, 1997, in the original amount of $179,000.

"Series 1997C Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued June 24, 1997, in the original amount of $2,197,304.

"Series 1997D Bonds" means the Sewer Revenue Refunding Bonds of the Issuer described in Section 1.04(L) issued June 24, 1997, in the original amount of $3,052,954.52.

"Series 1998A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued November 25, 1998, in the original amount of $1,202,100.

"Series 1998B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(L) issued December 17, 1998, in the original amount of $839,000.

"Sinking Fund" mean the Sinking Fund established by Section 5.02(1) hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution or the Prior Resolutions to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Projects.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto, both within and without the boundaries of the District, and shall include any extensions, additions, betterments and improvements thereto, including the facility as described in Exhibit A, hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without said District.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bond, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bond, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.03. Resolution Constitutes Contract. In consideration of the acceptance of the Bond by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of any and all such Bonds, all of which shall be of equal rank and without

preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public service district, public corporation and political subdivision of the State in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, that there be acquired the facility and constructed, the Project, consisting of certain improvements, extensions or betterments to the facility, as described in Exhibit A attached hereto at an aggregate estimated cost of not more than $800,000 in accordance with plans and specifications to be prepared by the Consulting Engineers, which plans and specifications following approval by DEP will be on file with the District.

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 the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and the Prior Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the acquisition and construction of the Project is $800,000, which will be permanently obtained from the Bonds herein authorized. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Costs of the Project.

F. The period of usefulness of the System after completion of the Project will not be less than forty (40) years.

G. It is deemed necessary for the Issuer to issue its sewer system revenue bonds in the aggregate principal amount of not more than $800,000 initially to be represented by a single bond, being the Shady Spring Public Service District Sewer System Revenue Bonds, Series 1999A, to permanently finance the costs of acquisition of the facility and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the acquisition of

the facility and construction of said extensions, additions, betterments and improvements to the System, funding the Reserve Account and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the Tap Fee; the cost of interim financing for such Project; interest on the bonds, prior to, during and for six months after the estimated date of completion of acquisition and construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said construction and acquisition of the project and placing the same in operation and the financing authorized by this Resolution.

H. It is in the best interest of the Issuer that the Bonds be secured by and payable from the Net Revenues of the System on a parity with the Prior Bonds.

I. It is in the best interests of the Issuer that its Bonds be sold to the Authority pursuant to a Loan Agreement and made a part hereof, to take advantage of the favorable terms available to the Issuer.

J. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition of the facility and construction, operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of any thereof, including, among other things, (the obtaining of the PSC Order, the time for rehearing and appeal of which have expired) and the written approval of the West Virginia Infrastructureand Jobs Development Council.

K. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows (provided, that the Series 1997 B Bonds will be paid simultaneously with the issuance of the Bonds):

Designation	Lien Position
Water Development Authority - Sewer Revenue Bonds, Series 1982B dated August 1, 1982, issued in the original principal amount of $795,515	First Lien (Parity)

(the "Series 1982 B Bonds");

Water Development Authority - Sewer Revenue Bonds, Series 1994A dated June 6, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1996A dated April 25, 1996, issued in the original principal amount of $151,800 (the "1996A Bonds").	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1997C dated June 24, 1997, issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Refunding Bonds, Series 1997D dated June 24, 1997, issued in the original principal amount of $3,056,954.52 (the "Series 1997D Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1998A dated November 25, 1998, issued in the original principal amount of $1,202,100 (the "Series 1998A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1998B dated December 17, 1998, issued in the original principal amount of $839,000 (the "Series 1998B Bonds");	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds and the 1998B Bonds are hereinafter called the "Prior Bonds."

The Bonds shall be issued on a parity with the Prior Bonds with respect to the liens, pledge and source of and security for payment and in all other respects the Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

L. The Issuer has, by certification from an independent certified public accountant, met the parity tests of the Prior Resolutions.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the construction of the Project in accordance with plans and specifications prepared by the Consulting Engineers, approved by DEP and the Issuer and is on file in the office of the Board. The proceeds of the Bonds are hereby authorized and shall be applied as provided in Article VI hereof.

Prior to issuing the Bonds for the acquisition of the facility and construction of the Project, the Issuer must receive acceptable bids or enter into contracts for the acquisition of the facility and construction of the Project, compatible with the financing plan submitted to the Program.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of financing a portion of the costs, not otherwise provided, of the acquisition of the facility and construction of the Project, funding a reserve account for the Bonds, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $800,000 for the Bonds. Said Bonds shall be issued as one bond to be designated "Shady Spring Public Service District Sewer System Revenue Bonds, Series 1999A." Original Bonds shall be dated as of the date of delivery thereof, shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of issuance, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bonds shall not bear interest during the acquisition and construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Bonds shall be as set forth on Schedule Y to the Loan Agreement. The Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Bonds. The SRF 1% Administrative Fee shall be paid quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 2000.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Bond shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and

shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of bonds may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bond. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bonds to the Authority, the District covenants that the Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority and/or DEP.

Section 3.04. Execution of Bond. 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-Treasurer. 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 has 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 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized

officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost,

in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be 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.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other bonds issued hereunder.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System and Facility on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, the Reserve Account herein and in the Renewal and Replacement Fund hereinafter continued or established and to make the payments requested by this Resolution, the Prior Resolutions, and are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due.

Section 3.10. Form of Bonds. The text of the 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
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BOND, SERIES 1999A

No. R-1 $752,000

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 $752,000 or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in installments on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March in each year beginning June 1, 2000, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of zero percent (0%) per annum as set forth on said Exhibit B. The SRF Administrative Fee of 1% shall also be payable quarterly on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March of each year beginning June 1, 2000 as set forth on Exhibit B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the 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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated October 23, 1998 among the Authority, the DEP and the Issuer.

This Bond is issued in the aggregate principal amount of $ 752,000 (i) to pay the costs of construction of certain improvements and extensions to the sewerage system of the Issuer (the "Project"), (ii) to fully fund the Reserve Account; 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 Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the Issuer on the 18th day of March, 1999, and a Supplemental Resolution adopted by the Issuer on the 18th day of March, 1999 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED IN THE RESOLUTION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bond (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest, if any, on all obligations on a parity with or prior to the Bonds including the Prior Bonds payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on said Bond in the then current year or any succeeding year and the reserve account for any other obligations outstanding on a parity with the Bond including the Prior Bonds, is funded at 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 Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, West Virginia, 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 Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, SHADY SPRING 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-Treasurer, and has caused this Bond to be dated _____, 1999.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999A Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 1999

Bank One, West Virginia, National Association,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $73,272.00	_____, 1999	(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

Form of Assignment

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary-Treasurer is directed to affix the seal of the Issuer thereto, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery of the Loan Agreement is hereby authorized, ratified and approved.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers, in the form attached to the SRF Loan Agreement, to the effect that the Project has been designed as provided in the Program application and will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, that the Project will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of the acquisition of the facility and construction of the Project.

Section 3.13. Amended Schedule A Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority its schedule, in substantially the form of "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created 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 (or continue pursuant to Prior Resolutions):

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1999A Bond Sinking Funds;

(a) Within the Series 1999A Bond Sinking Funds, the Series 1999A Bond 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 created pursuant to Section 5.03 of the Prior Resolutions and which is continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided. As long as the Prior Bonds are Outstanding, the Issuer shall make the payments required by Section 5.03A of the Prior Resolutions and simultaneously make the payments set forth hereinafter.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, make the payments required by Section 5.03A(2) of the Prior Resolutions and commencing on the first day of each month, 4 months prior to the first date of payment of interest on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Sinking Fund, a sum equal to 1/3rd of the amount of interest which will mature and become due on said Bonds on the next ensuing quarterly payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Sinking Fund and the next quarterly payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly payment date.

(3) Next from the moneys in the Revenue Fund, the Issuer shall (a) on the first day of each month, make the payment required by Sections 5.03A(3) of the Prior Resolutions and, commencing 4 months prior to the first date of payment of principal on the

Series 1999A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

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

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 5.03 A(4) of the Prior Resolutions commencing on the first day of each month, 3 months prior to the first date of payment of principal of the Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account, an amount equal to 1/120 of the Reserve Requirement; provided, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolutions, not in addition to). 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 Prior Bonds Reserve Account, or the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due. Moneys in the Reserve

Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Bonds as the same shall come due, when other moneys in the Sinking Funds are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Acquisition and Construction Trust Fund prior to completion of the Projects and thereafter, to the Sinking Funds.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to an amount below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Funds for payment of debt service on the Bond have been made in full.

B. As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the Sinking Funds sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in an amount equal to the Reserve Requirements.

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 Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and

there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

I. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

Section 5.04. Excess Bond Proceeds. The Issuer shall place any proceeds from the Bonds not required for the Project Costs in the Reserve Account to the extent that the balances therein are not equal to the Reserve Requirements or otherwise instructed by the DEP and the Authority.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. The moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the Bond Construction Trust Fund established in Section 5.01(3) hereof.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Projects and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Projects shall be made monthly.

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

(1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

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

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

(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 Issuer shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any owner or owners of the Bond as if they were set forth in full in this Resolution. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Bond as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is Outstanding and unpaid.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Original Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Prior Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Account herein, and all other payments provided for in the Prior Resolutions and this Resolution 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 this Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bond, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder . Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and is funded at least at the requirement provided for in the Resolution, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bond.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Projects and will maintain the System in good

condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Upon completion of the Projects, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Projects and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law and the terms of the Prior Resolutions, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds and Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and prior, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such prior obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the respective liens of the Bonds, and the interest thereon,

upon any of the income and revenues of the System pledged for payment of the Bond and the interest thereon in this Resolution, or upon the System or any part thereof.

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

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition and construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate acquisition and construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

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

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

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

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Projects as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Projects; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the acquisition and construction costs to complete the Projects, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.09. Insurance and Acquisition and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of any contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bond. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Projects, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their

interests may appear, in accordance with the Loan Agreement, during acquisition and construction of the Projects in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

The Issuer shall require all contractors engaged in the acquisition and construction of the Projects 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 Projects covered by the particular contract as security for the faithful performance of such contract.

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authorityand the DEP covering the supervision and inspection of the development of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers. Such resident engineer shall certify to the Authority, the DEP and the Issuer, at the completion of construction, that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer agrees that it will, at all times, provide operation and maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel, properly certified by the State, will be employed before the Project is 25% complete and agrees that it will retain such a certified

operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

The Issuer agrees that qualified operating personnel, properly certified by the State, will be retained to operate the System during the entire term of the Loan Agreement.

Section 7.11. Compliance With Loan Agreements, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the planning and design of the Projects and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and

regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquisition and construction of the Project. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the installation of the Projects, the operation and maintenance of the System and the administration of the Loan Agreement or other sources of financing for the Projects.

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

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

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records

as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Authority shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants 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 Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Projects and for two years following the completion of the Projects, each month complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and is incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Projects, complete Payment Requisition Forms, the form of which is attached to the Loan Agreement as Exhibit C and

is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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

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

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer

and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the 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 7.18. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds. This lien is on a parity with the lien of the Prior Bonds.

Section 7.19. Compliance. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the construction of the Project and the operation, maintenance and use of the System.

Section 7.20. Completion of Projects; Permits and Orders. The Issuer will complete the Projects as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards. The Issuer will obtain permits required by State and Federal Government Laws for the Project construction.

Section 7.21. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of

changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17CRF Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

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

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

ARTICLE IX

DEFAULT AND REMEDIES

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds or the Prior Bonds; or

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

(3) If a default occurs under this Resolution;

(4) If a default occurs under the Prior Resolutions; or

(5) 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (I) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in

the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and

Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on

such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds and the Notes from the gross income of the Owners thereof.

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

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

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

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

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

Adopted this 18th day of March, 1999.

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 18 day of March, 1999.

Dated: March 18, 1999.

[SEAL]

Secretary, Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECT

The Bonds are being issued for the purpose of financing the construction of a wastewater collection system to serve the Mont Phillips/Lamplighter area; funding the reserve account and paying costs of issuance. The wastewater collection system consists of approximately 4,000 linear feet of 8-inch gravity sewer, 4,600 linear feet of 6-inch gravity sewer, 34 manholes, 16 cleanouts, 2 lift stations and 1,900 linear feet of 2-inch force main as an addition to the current Ward Park construction contract. The Project will add approximately 69 customers to the Shady Spring Public Service District's system.

EXHIBIT B

LOAN AGREEMENT
(Tab 11)

Shady Springs PSD, West Virginia

Mont Phillips Project

Loan C-544274

$752,000; 0% Interest Rate; 1% Administrative Fee; 20 Years

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2011	9,400.00	-	9,400.00
6/01/2011	9,400.00	-	9,400.00
9/01/2011	9,400.00	-	9,400.00
12/01/2011	9,400.00	-	9,400.00
3/01/2012	9,400.00	-	9,400.00
6/01/2012	9,400.00	-	9,400.00
9/01/2012	9,400.00	-	9,400.00
12/01/2012	9,400.00	-	9,400.00
3/01/2013	9,400.00	-	9,400.00
6/01/2013	9,400.00	-	9,400.00
9/01/2013	9,400.00	-	9,400.00
12/01/2013	9,400.00	-	9,400.00
3/01/2014	9,400.00	-	9,400.00
6/01/2014	9,400.00	-	9,400.00
9/01/2014	9,400.00	-	9,400.00
12/01/2014	9,400.00	-	9,400.00
3/01/2015	9,400.00	-	9,400.00
6/01/2015	9,400.00	-	9,400.00
9/01/2015	9,400.00	-	9,400.00
12/01/2015	9,400.00	-	9,400.00
3/01/2016	9,400.00	-	9,400.00
6/01/2016	9,400.00	-	9,400.00
9/01/2016	9,400.00	-	9,400.00
12/01/2016	9,400.00	-	9,400.00
3/01/2017	9,400.00	-	9,400.00
6/01/2017	9,400.00	-	9,400.00
9/01/2017	9,400.00	-	9,400.00
12/01/2017	9,400.00	-	9,400.00
3/01/2018	9,400.00	-	9,400.00
6/01/2018	9,400.00	-	9,400.00
9/01/2018	9,400.00	-	9,400.00
12/01/2018	9,400.00	-	9,400.00
3/01/2019	9,400.00	-	9,400.00
6/01/2019	9,400.00	-	9,400.00
9/01/2019	9,400.00	-	9,400.00
12/01/2019	9,400.00	-	9,400.00
3/01/2020	9,400.00	-	9,400.00
Total	**752,000.00**	-	**752,000.00** *

*Plus one-percent administrative fee paid quarterly in the amount of $951.75. Total administrative fee paid over the life of the loan is $76,140.

Shady Springs PSD, West Virginia

Mont Phillips Project

Loan C-544274

$752,000; 0% Interest Rate; 1% Administrative Fee; 20 Years

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	9,400.00	-	9,400.00
9/01/2000	9,400.00	-	9,400.00
12/01/2000	9,400.00	-	9,400.00
3/01/2001	9,400.00	-	9,400.00
6/01/2001	9,400.00	-	9,400.00
9/01/2001	9,400.00	-	9,400.00
12/01/2001	9,400.00	-	9,400.00
3/01/2002	9,400.00	-	9,400.00
6/01/2002	9,400.00	-	9,400.00
9/01/2002	9,400.00	-	9,400.00
12/01/2002	9,400.00	-	9,400.00
3/01/2003	9,400.00	-	9,400.00
6/01/2003	9,400.00	-	9,400.00
9/01/2003	9,400.00	-	9,400.00
12/01/2003	9,400.00	-	9,400.00
3/01/2004	9,400.00	-	9,400.00
6/01/2004	9,400.00	-	9,400.00
9/01/2004	9,400.00	-	9,400.00
12/01/2004	9,400.00	-	9,400.00
3/01/2005	9,400.00	-	9,400.00
6/01/2005	9,400.00	-	9,400.00
9/01/2005	9,400.00	-	9,400.00
12/01/2005	9,400.00	-	9,400.00
3/01/2006	9,400.00	-	9,400.00
6/01/2006	9,400.00	-	9,400.00
9/01/2006	9,400.00	-	9,400.00
12/01/2006	9,400.00	-	9,400.00
3/01/2007	9,400.00	-	9,400.00
6/01/2007	9,400.00	-	9,400.00
9/01/2007	9,400.00	-	9,400.00
12/01/2007	9,400.00	-	9,400.00
3/01/2008	9,400.00	-	9,400.00
6/01/2008	9,400.00	-	9,400.00
9/01/2008	9,400.00	-	9,400.00
12/01/2008	9,400.00	-	9,400.00
3/01/2009	9,400.00	-	9,400.00
6/01/2009	9,400.00	-	9,400.00
9/01/2009	9,400.00	-	9,400.00
12/01/2009	9,400.00	-	9,400.00
3/01/2010	9,400.00	-	9,400.00
6/01/2010	9,400.00	-	9,400.00
9/01/2010	9,400.00	-	9,400.00
12/01/2010	9,400.00	-	9,400.00

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1999A; DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on March 18, 1999 (the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE PUBLIC SEWERAGE FACILITY OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $800,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1999A, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer System Revenue Bonds, Series 1999A (the "Bonds") in aggregate principal amount not to exceed $800,000 in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia

Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution;

WHEREAS, the Bonds is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bonds be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bonds be herein provided for.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be in the aggregate principal amount of $752,000 with the following provisions:

(A) The Bonds shall be originally issued in the form of a single bond, numbered R-1, in the principal amount of $752,000. The Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of zero percent (0%) per annum which principal shall be payable quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 2000, shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bond. The SRF 1% Administrative Fee shall be paid quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 2000.

(B) The Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby appoints and designates First State Bank & Trust, Beckley, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, National Association, Charleston, West Virginia, as Registrar for the Bond.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bond.

Section 7. The Chairman and Secretary/Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about October 23, 1998.

Section 8. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 11. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: March 18, 1999

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary/Treasurer

SERIES
1999B

SHADY SPRING PUBLIC SERVICE DISTRICT

BOND RESOLUTION
(WDA)

A RESOLUTION AUTHORIZING THE PREPAYMENT OF SHADY SPRING PUBLIC SERVICE DISTRICT'S SEWER REVENUE BONDS, SERIES 1997B; AMENDING THE PROJECT DESCRIPTION OF THE SEWER REVENUE BONDS, SERIES 1998A; AND PROVIDING THE LOCAL MATCH FOR THE APPALACHIAN REGIONAL COMMISSION GRANT, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $180,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1999B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairperson of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

"Bonds" or "Series 1999B Bonds" means the Series 1999B Bonds originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bonds in substantially the form set forth in the Bond Form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Series 1999B Bonds Construction Trust Fund established by Section 5.03.

"Consulting Engineers" means L.A. Gates Company, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System and which engineer or engineering firm shall meet the Program requirements.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 1999B 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 Series 1999B Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates

evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 1999B 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 Series 1999B 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 Series 1999B Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Series 1999B Bonds ratably as original proceeds of the Series 1999B 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 Series 1999B 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 Series 1999B Bonds Reserve Account and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 1999B Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1999B Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" means the Shady Spring Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Loan Agreement by and between the Authority and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

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

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

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds, Series 1982B, issued in the original principal amount of $795,515 (the "Series 1982B Bonds"), the District's Sewer Revenue Bonds, Series 1994A, issued in the original principal amount of $170,532 (the "Series 1994A Bonds") the District's Sewer Revenue Bonds, Series 1996A, issued in the original prinicpal amount of $151,800 (the "1996A Bonds,") the District's Sewer Revenue Bonds, Series 1997B, issued in the original principal amount of $179,000 (the "Series 1997B Bonds") the District's Sewer Revenue Bonds, Series 1997C Bond issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds") the District's Sewer Refunding Revenue Bonds, Series 1997D issued in the original principal amount of 3,056,954.52 (the "Series 1997D Bonds"), the District's Sewer Revenue Bonds, Series 1998A issued in the original principal amount of $1,202,100 (the "Series 1998A Bonds"), the District's Sewer Revenue Bonds, Series 1998B issued in the original principal amount of $839,000 (the "Series 1998B Bonds"), the District's Sewer Revenue Bonds, Series 1999A

to be issued simultaneously with the Series 1999B Bonds, in the original principal amount of $752,000 (the "Series 1999A Bonds"), and collectively with the Series 1982B Bonds, Series 1994A Bonds, the Series 1996A Bonds, the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds and the Series 1999A (the "Prior Bonds"). The Series 1997B Bonds will be prepaid simultaneously with the issuance of the Series 1999A Bonds and the 1999B Bonds.

"Prior Resolutions" means the District's Sewer Revenue Bonds, Series 1982B Bond Resolution adopted August 1, 1982, the District's Sewer Revenue Bonds, Series 1994A Bond Resolution adopted June 6, 1994, the District's Sewer Revenue Bonds, Series 1996A Bond Resolution adopted April 25, 1996, the District's Sewer Revenue Bonds, Series 1997B Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Bonds, Series 1997C Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Refunding Bonds, Series 1997D Bond Resolution adopted June 24, 1997, the District's Sewer Revenue Bonds, Series 1998A Bond Resolution adopted November 25, 1998, and the District's Sewer Revenue Bonds, Series 1998B Bond Resolution adopted December 17, 1998 and the Series 1999A Bond Resolution adopted simultaneously herewith by the Board with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" means the Authority's loan program, under which the Authority purchases the revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of sewer development revenue bonds issued by the Authority or any successor to said program as currently constituted.

"Project" means the Project set forth in the Prior Resolution with respect to the Series 1998A Bonds as amended herein and attached hereto as Exhibit C.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the Final Order of the PSC in Case No. 99-0251-PSD-PC.

"Purchase Price," for the purpose of computation of the Yield of the Series 1999B 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 Series 1999B 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 Series 1999B Bonds of each maturity is sold or, if the Series 1999B Bonds are privately placed, the price paid by the first buyer of the Series 1999B Bonds or the acquisition costs 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 Series 1999B Bonds for acquisition thereof or, if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1999B Bonds.

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

(a) Government Obligations;

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

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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; and

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia Investment Management Board pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended.

"Rebate Fund" means the fund created pursuant to Section 5.01(3) hereof.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01(2).

"Reserve Account" means the account in the Suinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

"Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year.

"Resolution" means this resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established by Section 5.01.

"SRF" means the Water Pollution Control Revolving Fund.

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

"Series 1982B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(M) issued June 24, 1997, in the original amount of $795,515.

"Series 1994A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(J) issued June 8, 1994, in the original amount of $170,532.

"Series 1996A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(J) issued in the original amount of $151,800.

"Series 1997B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(J) issued June 24, 1997, in the aggregate principal amount of $179,000 and currently outstanding in the amount of $179,000, to be refunded by the Series 1999B Bonds authorized hereunder.

"Series 1997C Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(J) issued June 24, 1997 in the original amount of $2,197,304.

"Series 1997D Bonds" means the Sewer Revenue Refunding Bonds of the Issuer described in Section 1.03(J) issued June 24, 1997, in the original amount of $3,052,954.52.

"Series 1998A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(J) issued November 25, 1998, in the original amount of $1,202,100.

"Series 1998B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(J) issued December 17, 1998, in the original amount of $839,000.

"Series 1999A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.03(J) to be issued March 18, 1999, in the original amount of $752,000.

"Sinking Fund" means Sinking Fund established by Section 5.02(1).

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Account and Sinking Fund, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the complete waterworks system of the Issuer, and any further 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.

"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 Series 1999B Bonds, produces an amount equal to the

Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State located in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary for the Issuer to issue its sewer revenue bonds in the aggregate principal amount of not more than $180,000, to (i) provide a portion of the local match for the Appalachian Regional Commission ("ARC") Grant; and (ii) to pay certain costs of issuance hereof and related costs.

D. It is in the best interests of the Issuer that the Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

E. It is in the best interest of the Issuer and the Issuer is hereby authorized and empowered to issue, pay and discharge its outstanding Series 1997B Bonds with proceeds of the Series 1998A Bonds. The prepayment is necessary to elimante burdensome and costly provisions imposed on the Issuer by the 1997B Bonds.

F. It is in the best interest of the Issuer to amend the Project Description for the Series 1998A Bonds to include the prepayment of the Series 1997B Bonds and the Project Description is hereby amended to read as set forth in Exhibit C.

G. It is deemed necessary for the Issuer to issue its revenue bonds, being the Shady Spring Public Service District Sewer Revenue Bonds, Series 1999B Bonds in the aggregate principal amount of not more than $180,000 to permanently finance the the ARC Grant match. Said costs shall be deemed to include amounts which may be deposited in the Reserve Account; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees 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 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized and the performance of the things herein required or permitted, in connection with any thereof.

H. The Issuer has complied with all requirements of West Virginia law relating to the issuance of the Series 1999B Bonds, or will have so complied prior to issuance of any Series 1999B Bonds, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which expired or the rights of all parties to appeal have been waived and "approved by" the West Virginia Infrastructure and Jobs Development Council.

I. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows (following prepayment of the Series 1997B Bonds):

Designation	Lien Position
Water Development Authority - Sewer Revenue Bonds, Series 1982B dated August 1, 1982, issued in the original principal amount of $795,515 (the "Series 1982 B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1994A dated June 6, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1996A dated April 25, 1996, issued in the original	First Lien (Parity)

principal amount of $151,800
(the "1996A Bonds");

Water Development Authority - Sewer Revenue Bonds, Series 1997C dated June 24, 1997, issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Refunding Bonds, Series 1997D dated June 24, 1997, issued in the original principal amount of $3,056,954.52 (the "Series 1997D Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1998A dated November 25, 1998, issued in the original principal amount of $1,202,100 (the "Series 1998A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1998B dated December 17, 1998, issued in the original principal amount of $839,000 (the "Series 1998B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1999A dated March 18, 1999, issued in the original principal amount of $752,000 (the "Series 1999A Bonds");	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds and the Series 1999A Bonds are hereinafter called the "Prior Bonds."

The Bonds shall be issued on a parity with the Prior Bonds with respect to the liens, pledge and source of and security for payment and in all other respects the Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

J. The Issuer has, by certification from an independent certified public accountant, met the parity tests of the Prior Resolutions.

K. The Code provides exceptions from the rebate provisions for issues of small governmental units meeting certain requirements. It is in the best interest of the Issuer and its inhabitants to qualify for the small governmental unit exception from the rebate provisions for the Bonds. Accordingly, it is hereby found and determined:

(1) The Issuer is a governmental unit with general taxing powers.

(2) The Bonds are not private activity bonds as defined by the Code.

(3) Ninety-five percent (95%) or more of the net proceeds (as defined with respect to the Code) of the Bonds will be used for local governmental activities of the Issuer.

(4) With the exception of the amounts deposited in the Sinking Funds, for payment of interest on the Bonds and amounts deposited in the Reserve Account, if any, all of the proceeds of the Bonds will be expended on the repayment of the Series 1997B Bonds within 18 months from the date of issuance thereof.

L. The Issuer will not permit, at any time, any of the proceeds of the Bond or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code.

M. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds.

N. The Bonds will not be federally guaranteed within the meaning of the Code.

O. It is reasonably anticipated that all proceeds of the Bond will be spent within three years from the date of issuance.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of any and all of such Baonds of like series.

ARTICLE II

AUTHORIZATION OF PREPAYMENT

Section 2.01 Authorization of Prepayment. The Series 1997B Bonds outstanding as of the date of issuance of the Series 1999B Bonds are hereby ordered to be prepaid. The pledge of Net Revenues in favor of the Holders of the Series 1997B Bonds imposed by the Prior Resolution is hereby ordered terminated, discharged and released upon the payment.

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 providing a portion of the local match for the ARC Grant, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer. Said Bonds shall be issued in one series, to be designated "Shady Spring Public Service District Sewer Revenue Bonds, Series 1999B," in the aggregate principal amount of not more than $180,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution.

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 the 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 this Resolution or the Supplemental Resolution, the Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in this Resolution. The Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds 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 the Supplemental Resolution and shall bear interest from such date.

Section 3.03. Additional Terms of Bonds. In addition to the terms set forth in Sections 3.01 and 3.02 hereof and in anticipation of the sale of the Bonds to the Authority, the Issuer covenants that the Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairperson, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging the Bonds or transferring the Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing

each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obligated to make any such exchange or transfer of Bonds during the period commencing on the fifteenth day of the month preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds, and the Bonds and to make the payments into the Sinking Funds, the Reserve Account 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 3.10. Form of Bonds. The text of the 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:

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1999B

No. R-1 $165,000

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 $165,000 in annual installments on the 1st day of October in each year commencing October 1, 1999, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein be 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 October 1, 1999.

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 Bank One, West Virginia, National Association, 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 dated March 18, 1999 between the Authority and the Issuer.

This Bond is one of a series of Bonds (the "Bonds") issued in the original principal amount of $165,000 (i) to provide a portion of the local match for the ARC Grant; and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under

the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on March 18, 1999, as supplemented by a Supplemental Resolution duly adopted by the Issuer on March 18, 1999 (collectively, the "Resolution") and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED IN THE RESOLUTION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and moneys in the Reserve Account created under the Resolution for the Bonds and unexpended proceeds of the Bonds (the "Bond Proceeds"). 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 in 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 Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Bonds including the Prior Bonds, provided however, that so long as the Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Bonds, including the Prior Bonds, is funded at 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 Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Registrar by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this

Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, SHADY SPRING 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-Treasurer, and has caused this Bond to be dated March 18, 1999.

SHADY SPRING PUBLIC SERVICE DISTRICT

By: _____
Chairperson

[SEAL]

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999B Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 1999

_____, 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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary-Treasurer is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Series 1999B Bonds, the Issuer must obtain the certificate of the Consulting Engineers, in the form attached to the Loan Agreement, to the effect that the Project will be constructed in accordance with the approved plans and specifications as submitted to the Authority, as the case may be, the Project will be adequate for the purposes for which it was designed, and the funding plan as submitted to the Authority is sufficient to pay the costs of the acquisition of the facility and construction of the Project.

Section 3.13. "Amended Schedule A". Within 60 days following the Completion Date, the Issuer will file with the Authority its schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created or continued with and shall be held by the Depository Bank separate and apart from all other funds or accounts of such Depository Bank and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Bond Construction Trust Fund;

(4) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1999B Bonds Sinking Fund;

(a) Within the Series 1999B Bonds Sinking Fund, the Series 1999B 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 Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, make the interest payments required by Section 5.03A(2) of the Prior Resolutions and commencing on the first day of each month 6 months prior to the first date of payment of interest on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Bond Sinking Fund, a sum equal to 1/6th of the amount of interest which will be due on said Bonds on the next ensuing semiannual payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Sinking Fund and the next semiannual payment date is less than 6 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual payment date.

(3) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, make the principal payment required by Sections 5.03A(3) of the Prior Resolutions commencing on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1999B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said 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 Sinking Fund and the next principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next principal payment date, the required amount of principal coming due on such date.

The Issuer shall complete the "Monthly Payment Form," the form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its remittance checks to the Authority by the 6th day of such calendar month.

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 5.03 A(4) of the Prior Resolutions commencing on the first day of each month, 12 months prior to the first date of payment of principal of the Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account, an amount equal to 1/120 of the Reserve Requirement; provided, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolutions, not in addition to). 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 Prior Bonds Reserve Account, or the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Sinking Fund shall be used only for the purposes ofpaying principal of and interest on the Bonds as the same shall become due. Moneys in the Series 1999B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Bonds, as the same shall come due, when other moneys in the attendant Sinking Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Sinking Fund andReserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited for use in the Earnings Fund as required by Section 8.03.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Fund and the Reserve Account, including deficiencies for prior payments, have been made in full.

As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay any interest on such Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in an amount equal to the Reserve Requirement.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bonds and any additional Bonds 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 for 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 Sinking Fund, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered surplus revenues (the "Surplus Revenues). Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank as the case may be, shall require, such additional sums as shall be necessary to pay the charges and the fees then due.

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

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Reserve Accounts have not, as of such date, funded such account to the requirement therefor.

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 Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and used for any lawful purpose of the System.

I. If at any time required by the Authority, the Issuer shall make the necessary arrangements whereby required payments into the Series 1999B Bonds Sinking Fund and the Series 1999B Bonds Reserve Account shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required hereunder.

Section 5.04. Excess Bond Proceeds. After the completion of the Project, as certified by the Consulting Engineets, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1999B Bonds Reserve Account, and when the Reserve Account is fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter apply such moneys in full, first to next ensuing interest payments due on the Series 1999B Bonds and thereafter to the nest ensuing prinicpal payments due thereon.

ARTICLE VI

APPLICATION OF BONDS PROCEEDS

Section 6.01. Application of Bonds Proceed; Pledge of Unexpended Bond Proceeds. (1) From the moneys received from the sale of the Series 1999B Bonds, the following amounts shall be deposited as set forth below:

A. The amount of the proceeds, which together with the earnings thereon shall be at least sufficient to pay interest on the Series 1999B Bonds for the period specified in the Supplemental Resolution shall be deposited in the Series 1999B Sinking Fund, if any; provided, that such period may not extend beyond the date which is six months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1999B Bonds, there shall be deposited with the Commission in the Series 1999B Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding the Series 1999B Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Series 1999B Bonds, shall be deposited by the Issuer 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.

D. There is hereby created and established with the Depository Bank a special fund, designated the "Bond Construction Trust Fund". The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements from the Cost of Issuance Account. Payments for Costs of Issuance of the Bonds shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Cost of Issuance Account (except for the costs of issuance of the Bonds originally authorized hereby, 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 Issuance;

(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 Cost of Issuance Account only the net amount remaining after deduction of any such portion. All payments made from the Cost of Issuance Account 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 Cost of Issuance Account. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, 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.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position. The payment of the debt service of the Series 1999B Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and to make the payments into the Sinking Fund, including the Reserve Account herein, and all other payments provided for in this Resolution 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 this Resolution and the Prior Resolutions.

Section 7.04. Initial Schedule of Rates and Charges. The schedule of rates and charges for the services and facilities of the System shall be as set forth, described in and ordered by the PSC Order, which schedule of rates is attached as Exhibit B hereto and incorporated herein by reference and is hereby adopted and approved as the rates of the Issuer, which rates will become effective as provided in the PSC Order.

The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay the Operating Expenses of the System and to make the prescribed payments into the funds and accounts 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of

the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and is funded at least at the requirement provided for in the Resolution, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bond.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Projects and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Resolution and Prior Resolutions.

Upon completion of the Projects, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Projects and sources of funds therefor.

Section 7.06. Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole,and only if the net proceeds to be realized shall be sufficient fully to pay or redeem at or prior to maturity all the Bonds and the Prior Bonds then Oustanding. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit pro rata in the Series 1999B Sinking Fund, and in the sinking funds establised under the Prior Resolutions for any Prior Bonds then oustanding and the Issuer shall direct the Commission to apply such proceeds pro rata to the payment of principal and interest at maturity of Bonds and Prior Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and Prior Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds (66 2/3%) 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 7.07 Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and 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 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 respective liens of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions or improvements 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 three 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 three succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates adopted by the Issuer and approved by the PSC, 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 and approved by the PSC, 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 extensions or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the owners of the Original Bonds and the owners of any Parity Bonds 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 respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Outstanding 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 1999B Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Resolution with respect to the Bonds then Outstanding, and any other payments provided for in this Resolution, 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 Resolution.

Section 7.09. Books, Records and Facilities. The Issuer shall keep complete and accurate records. The Issuer shall permit the Authority, or its 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 such documents and information as it may reasonably require in connection with 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 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 Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed by the Uniform System of accounts promulgated by the PSC. 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, and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of 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 Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, Notes or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be 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 Bonds and shall submit said report to the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Resolution and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

The Issuer shall permit the Authority, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide the Authority,

or its 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 with respect to the System pursuant to the Act.

Section 7.10. 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, including any reserves required by the PSC Order or any supplement or amendment thereto 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 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirement are on deposit respectively in the Reserve Account 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, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds.

Section 7.11. Operating Budget; Audit and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and

request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

The Issuer shall, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit B, and forward a copy of such report to the Authority by the 10th day of each month.

Section 7.12. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development, construction and operation of the System.

Section 7.13. 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 7.14. 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 PSC and other laws of the State.

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 PSC, 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 PSC, 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 7.15. 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. Such charges shall be paid as they accrue and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.16. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of 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 interest 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 and the Authority 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 and ownership of motor vehicles of or for the System.

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

(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 for 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.

Section 7.17. Completion, Operation and Maintenance; Permits and Orders. The Issuer will maintain the System in good condition and with all federal and state requirements and standards and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Resolution.

The Issuer will maintain all permits required by state and federal laws for the operation of the System and all orders and approvals from the Public Service Commission of West Virginia necessary for the operation of the System.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and all applicable laws, rules and regulations issued by the Authority, or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

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

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as 'private activity bonds' within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1999B Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

E. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax exempt status of the Bonds, including without limitation the information return required under Section 149(e) of the Code.

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 7.20. Statutory Mortgage Lien. A statutory mortgage lien upon the System is granted and created by Section 19 of 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 Bonds and shall be for the benefit of all Registered Owners of Bonds on parity with the lien of the Prior Bonds.

Section 7.21. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 7.22. 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 (17CRF Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once a year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records relating thereto 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 intent on the Bonds from gross income for Federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1999B 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 Series 1999B Bonds so that the Series 1999B Bonds will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds so that the interest on the Series 1999B Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Series 1999B Bonds, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code or the Loan Agreement, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 15 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 15 days following the last day of each Bond Year and within 15 days following the date of the retirement of the Series 1999B Bonds, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when

such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Series 1999B Bonds shall be determined based on the actual Yield of the Series 1999B Bonds and during the period between the Closing Date for the Series 1999B 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 Series 1999B Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE 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 Series 1999B Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed

by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

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 six years following the retirement of the Series 1999B Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority and shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as that term is defined in the Code) from time to time as the Authority may request.

J. AMENDMENTS TO THIS SECTION. Notwithstanding any of the provisions herein to the contrary, the Issuer agrees to amend the provisions of this Section from time to time at the direction of the Authority in order to insure continuing compliance with Section 8.02 hereof.

Section 8.04 Restriction of Yield and Bond Proceeds. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE IX

DEFAULT AND REMEDIES

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds or the Prior Bonds; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to the 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, or both, 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 Resolution and the Act.

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

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

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

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

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds (66-2/3%) percent or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the 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 required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from the gross income of the Holders thereof.

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

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

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

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 Chairperson, 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 18th day of March, 1999.

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairperson, Public Service District

Member, Public Service District

Member, Public Service District

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 18th day of March, 1999.

Dated: March 18, 1999

[SEAL]

Secretary, Public Service District

98376

EXHIBIT A

LOAN AGREEMENT

(See Tab 10)

EXHIBIT B

SCHEDULE OF RATES

EXHIBIT C
(Project Description)

Exhibit A (Project Description) to the Bond Resolution adopted November 6, 1998, authorizing the $1,202,100 Shady Spring Public Service District Sewer System Revenue Bonds, Series 1998A is hereby amended to read as follows:

The Bonds are being issued for the purpose of construction of improvements to the existing wastewater treatment plant and to prepay the Districts $179,000 Sewer Revenue Bonds, Series 1997B. The plant capacity will be increased by 400,000 gallons per day to a capacity of 1,200,000 gallons per day. Improvements include a headworks structure, aeration/sludge holding tank, clarifier, effluent disinfection structure and equipment and sludge processing equipment and all related appurtenances thereto.

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1999A; DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on March 18, 1999 (the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE PUBLIC SEWERAGE FACILITY OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $800,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1999A, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer System Revenue Bonds, Series 1999A (the "Bonds") in aggregate principal amount not to exceed $800,000 in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia

Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution;

WHEREAS, the Bonds is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bonds be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bonds be herein provided for.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be in the aggregate principal amount of $752,000 with the following provisions:

(A) The Bonds shall be originally issued in the form of a single bond, numbered R-1, in the principal amount of $752,000. The Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of zero percent (0%) per annum which principal shall be payable quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 2000, shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bond. The SRF 1% Administrative Fee shall be paid quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 2000.

(B) The Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby appoints and designates First State Bank & Trust, Beckley, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, National Association, Charleston, West Virginia, as Registrar for the Bond.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bond.

Section 7. The Chairman and Secretary/Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about October 23, 1998.

Section 8. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 11. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: March 18, 1999

SHADY SPRING PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary/Treasurer

RESOLUTION OF THE SHADY SPRING PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO ACQUISITION AND OTHER SERVICES FOR THE PROPOSED WASTEWATER SYSTEM PROJECT AND AUTHORIZING PAYMENT THEREOF

WHEREAS, The Shady Spring Public Service District has reviewed the invoices attached hereto and incorporated herein by reference relating to the acquisition of the Wastewater System Project (Project) funded by the Sewer System Revenue Bonds, Series 1999A (Infrastructure Fund) and an Infrastructure Fund Grant and finds as follows:

(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 services for 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.

NOW, THEREFORE, BE IT RESOLVED by the Shady Spring Public Service District as follows:

There is hereby authorized and directed the payment of the attached invoices as summarized as follows:

Administrative	$ 80.00
L. A. Gates Engineers & Consultants	$30,172.00
Anderson, Parkulo & Stansbury	$ 120.00
Reserve Fund	$37,900.00
Bond Counsel - John T. Poffenbarger	$ 5,000.00
Total	$73,272.00

Adopted by the Shady Spring Public Service District at a meeting held on the 18th day of March 1999.

07/07/92

PAYMENT REQUISITION FORM

LOAN RECIPIENT/VENDOR:

NAME: SHADY SPRING PUBLIC SERVICE DISTRICT

ADDRESS: P O BOX 235

BEAVER, WV 25813-0235

TELEPHONE: (304) 255-1565

TIN: 55-0622390

2. SRF PROJECT NO. C 544 274

3. INVOICE NUMBER: One

4. PERIOD COVERED BY THIS REQUEST:

FROM (MO/DAY/YR) TO (MO/DAY/YR)

09 / 30 / 97 01 / 31 / 99

5. PERCENTAGE OF PHYSICAL CONSTRUCTION COMPLETION 0%

CLASSIFICATION	A) APPROVED BUDGET	B) PREVIOUS APPROVED TOTALS	C) THIS REQUEST	D) TOTAL (B&C)	E) APPROVED AGENCY USE ONLY
CONSTRUCTION	587,700		0	0	
a. Equipment					
TECHNICAL SERVICES-BASIC	77,660		25,364	25,364	25,364
b. Engineering Other			4,808	4,808	4,808
c. Inspection					
LEGAL/FISCAL	7,500		120	120	120
ADMINISTRATIVE	2,000		80	80	80
LAND					
LOAN INTEREST					
LOAN REPAYMENT					
CONTINGENCY	27,840		0	0	
INTERIM FINANCING COSTS	6,400		0	0	
RESERVE FUND	37,900		37,900	37,900	37,900
CLOSING COST	5,000		5,000	5,000	5,000
SUBTOTAL	752,000		73,272	73,272	73,272
LESS PREVIOUSLY PAID				0	0
INVOICE AMOUNT				73,272	73,272

RECIPIENT AUTHORIZED SIGNATURE:

2/23/99
INVOICE DATE

ROBERT G. LILLY, CHAIRMAN
TYPED OR PRINTED NAME AND TITLE

16) SIGNATURE OF PERSON PREPARING THIS REQUEST

Ona Wickline 2/23/99
DATE

ONA WICKLINE, OFFICE MANAGER
TYPED OR PRINTED NAME AND TITLE

FOR USE ONLY
REQUEST APPROVED BY:

WATER DEVELOPMENT AUTHORITY

SERIES
1999B

AGENCY: ENVIRONMENTAL PROTECTION
TOTAL: $73,272.00
TRANSACTION INVOICE PAYEE INVOICE PURCHASE
DATE: 03/30/99

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS
SERIES 1999B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1999B; DESIGNATING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; APPROVING THE LOAN AGREEMENT AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, Shady Spring Public Service District (the "Issuer"), in the County of Raleigh, State of West Virginia, is a public service district and public corporation of said State, the governing body of which is this public service board (the "Governing Body");

WHEREAS, the Governing Body duly adopted on March 18, 1999, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE PREPAYMENT OF SHADY SPRING PUBLIC SERVICE DISTRICT'S SEWER REVENUE BONDS, SERIES 1997B; AMENDING THE PROJECT DESCRIPTION OF THE SEWER REVENUE BONDS, SERIES 1998A; AND PROVIDING THE LOCAL MATCH FOR THE APPALACHIAN REGIONAL COMMISSION GRANT, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $180,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1999B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provided for the prepayment of the

Issuer's Sewer Revenue Bonds, Series 1997B, dated June 24, 1997 (the "1997B Bonds"), and issuance of its Sewer Revenue Bonds, Series 1999B (the "Series 1999B Bonds"), in an aggregate principal amount not to exceed $179,000, for the purposes of providing a portion of the local match for the ARC Grant; and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact principal amount of the Series 1999B Bonds to be sold and the date, maturities, interest rates, redemption provisions, price and other terms of the Series 1999B Bonds should be established, that a Registrar, Paying Agent and Depository Bank be designated, that a Registrar and Paying Agent Agreement be approved, and that other matters pertaining to the Series 1999B Bonds be provided for by a supplemental resolution of the Governing Body;

WHEREAS, the Series 1999B Bonds are proposed to be purchased by the West Virginia Water Development Authority (the "Authority"), pursuant to a Loan Agreement between the Authority and the Issuer (the "Loan Agreement"); and

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted and that the Loan Agreement and the Registrar and Paying Agent Agreement hereinafter provided for be entered into by the Issuer, that the aggregate principal amount, the prices, the maturity dates and amounts, and the interest rates of the Series 1999B Bonds, be fixed hereby in the manner stated herein, and that other matters relating to the Series 1999B Bonds be herein provided for, all in accordance with the Resolution;

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

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be originally issued in the form of a single bond, numbered R-1, in the principal amount of $165,000. The Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of five and seventy-five hundredths percent (5.75%) from the date of delivery. Interest shall be payable in semiannual installments on the 1st day of April and the 1st day of October in each year commencing on October 1, 1999. Principal installments are payable as set forth on the "Annual Schedule of Debt Service" attached to the Bonds commencing October 1, 1999, to and including October 1, 2037. The Bonds shall be subject to redemption prior to maturity, upon payment of principal, interest and premium, if any, but only with the prior written consent of the Authority.

The Bonds shall be executed by the Chairman of the Issuer by his manual signature and attested by the Secretary of the Issuer by his manual signature and the seal of the Issuer shall be impressed thereon. The seal impressed upon this Resolution is hereby adopted as the official seal of the Issuer. The Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. The Registrar Agreement to be dated as of the date of delivery of the Series 1999B Bonds, by and between the Issuer and the Registrar designated herein, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 5. John T. Poffenbarger, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 1999B Bonds.

Section 6. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 7. The Issuer does hereby appoint and designate Bank One, National Association, Charleston, West Virginia, for the purpose of serving in the capacities of Registrar.

Section 8. The Issuer does hereby appoint and designate First State Bank & Trust, Beckley, West Virginia, for the purpose of serving in the capacity of Depository Bank.

Section 9. The notice addresses for the Registrar, Paying Agent, Depository Bank, and Authority shall be as follows:

REGISTRAR AND PAYING AGENT

Bank One, West Virginia, National Association
707 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

DEPOSITORY BANK

First State Bank & Trust
P. O. Box 1125
Beckley, West Virginia 25801

ORIGINAL PURCHASER

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 1999B Bond issue to the end that the Series 1999B Bonds may be delivered on a timely basis to the Authority pursuant to the Loan Agreement.

Section 11. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 12. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 14. The Issuer has either (a) funded the Series 1999B Bonds Reserve Account to the Series 1999B Bonds Reserve Requirement or (b) created the Series 1999B Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 1999B Bonds Reserve Account holds an amount equal to the Series 1999B Bonds Reserve Requirement. Moneys in the the Series 1999B Bonds Reserve Account and the Series 1999B Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to pay costs of the Project.

Section 15. This Resolution shall be effective immediately.

Adopted this 18th day of March, 1999

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of SHADY SPRING PUBLIC SERVICE DISTRICT at a meeting of the Public Service Board held at 10:00 a.m., on March 18, 1999, pursuant to proper notice, at which meeting a quorum was present acting throughout.

Dated this day 18th of March, 1999

[SEAL]

Secretary

RESOLUTION OF THE SHADY SPRING PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO ACQUISITION AND OTHER SERVICES FOR THE PROPOSED WASTEWATER SYSTEM PROJECT AND AUTHORIZING PAYMENT THEREOF

WHEREAS, The Shady Spring Public Service District has reviewed the invoices attached hereto and incorporated herein by reference relating to the acquisition of the Wastewater System Project (Project) funded by the Sewer System Revenue Bonds, Series 1999B (Infrastructure Fund) and an Infrastructure Fund Grant and finds as follows:

(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 services for the Project;

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

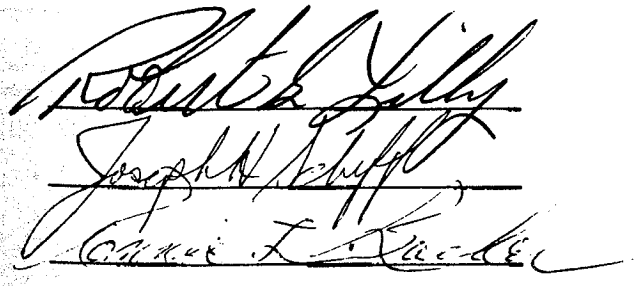
(d) That payment for each of the items proposed is then due and owing.

NOW, THEREFORE, BE IT RESOLVED by the Shady Spring Public Service District as follows:

There is hereby authorized and directed the payment of the attached invoices as summarized as follows:

Bond Counsel - John T. Poffenbarger	$ 7,500.00
Total	$ 7,500.00

Adopted by the Shady Spring Public Service District at a meeting held on the 18th day of March, 1999.



07/07/92

PAYMENT REQUISITION FORM

LOAN RECIPIENT/VENDOR:

NAME: SHADY SPRING PUBLIC SERVICE DISTRICT

ADDRESS: P. O. Box 235
Beaver, WV 25813-0235

TELEPHONE: (304) 255-1565

FEIN: 55-0622390

2. SRF PROJECT NO. C 544 202

3. INVOICE NUMBER: Four

4. PERIOD COVERED BY THIS REQUEST:
FROM (MO/DAY/YR) TO (MO/DAY/YR)
02/01/99 02/26/99

5. PERCENTAGE OF PHYSICAL CONSTRUCTION COMPLETION 20 %

CLASSIFICATION	A) APPROVED BUDGET	B) PREVIOUS APPROVED TOTALS	C) THIS REQUEST	D) TOTAL (B&C)	E) APPROVED AGENCY USE ONLY
CONSTRUCTION	623,000	304,560	-0-	304,560	[illegible]
a. Equipment	7,184	7,184	-0-	7,184	[illegible]
TECHNICAL SERVICES-BASIC	73,833	61,308	-0-	61,308	[illegible]
a. Engineering Other	39,268	17,468	-0-	17,468	[illegible]
b. Inspection	76,354	10,168	-0-	10,168	[illegible]
LEGAL/FISCAL	7,000	4,316	-0-	4,316	[illegible]
ADMINISTRATIVE	7,000	218	-0-	218	[illegible]
RUS LOAN REPMT.	179,000	-0-	179,000	179,000	[illegible]
PERMITS	495	495	-0-	495	[illegible]
MISCELLANEOUS	925	1,137	-0-	1,137	[illegible]
CONTINGENCY	87,936	-0-	-0-	-0-	[illegible]
INTERIM FINANCING COSTS	30,000	609	-0-	609	[illegible]
RESERVE FUND	60,105	60,105	-0-	60,105	[illegible]
CLOSING COST	10,000	10,000	-0-	10,000	[illegible]
SUBTOTAL	[illegible]	477,568	179,000	656,568	[illegible]
LESS PREVIOUSLY PAID				(477,568)	[illegible]
INVOICE AMOUNT				179,000	[illegible]

RECIPIENT AUTHORIZED SIGNATURE:

3/01/99
INVOICE DATE

Robert G. Lilly, Chairman, SSPSD
TYPED OR PRINTED NAME AND TITLE

16) SIGNATURE OF PERSON PREPARING THIS REQUEST

3/01/99
DATE

Ona F. Wickline, Office Mgr., SSPSD
TYPED OR PRINTED NAME AND TITLE

AGENCY USE ONLY
REQUEST APPROVED BY:

DEVELOPMENT AUTHORITY

SHADY SPRING PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWER FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE OF NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA SRF PROGRAM), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; AUTHORIZING EXECUTION AND DELIVERY OF SAID BONDS; RATIFYING THE LOAN AGREEMENT RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act, as hereafter defined and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means, collectively, Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and registered owner of the Series 2002 A Bonds , or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"Bond" or "Bonds" means, collectively, the Series 2002 A Bonds, the Prior Bonds and any parity bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Bond Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

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

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bond in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Series 2002 A Bonds a portion of the proceeds of the Series 2002 A Bonds from the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Consulting Engineers" means L. A. Gates Company, Beckley, West Virginia, or any qualified engineer or firm of engineers licensed by the state, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System in accordance with Chapter 5G, Article 1 of the Code of West Virginia 1931, as amended.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1 .04G hereof to be a part of the cost of planning, design, acquisition and construction of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

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

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings, over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the 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 thereof.

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to 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), or any Tap Fees, as hereinafter defined.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes, (the term specified private activity bonds as defined in Section 57(a)(5)(c) of the Code).

"Issuer" or "District" means the Shady Spring Public Service District, a public service district/public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund Bond Purchase Agreement heretofore entered into or to be entered into, by and among the Authority, the DEP and the Issuer providing for the purchase of the Series 2002 A Bonds

from the Issuer by the Authority which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Series 2002 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2002 A Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2002 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 which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

Series 2002 A"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means, collectively, the Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds, the Series 1999A Bonds, the Series 1999B Bonds of the Issuer, as described in Section 1.04J hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted August 1, 1982, June 6, 1994, April 25, 1996, June 24, 1997, November 25, 1998, December 17, 1998, and March18, 1999, 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 acquisition and construction of certain extensions, additions, betterments and improvements to the System substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity for the Project and approving the financing for the Project and the rates for the System.

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

(a) Government Obligations;

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

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

(d) Time accounts, (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that such Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time account or must be replaced or

increased so that the market value thereof is always at least equal to the principal amount of said time account;

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either 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 paid repurchase agreements, and provided further that the owner 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;

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia Investment Management Board pursuant to Article 6, Chapter 12 of the Code of West Virginia, 193 1, as amended; and

(h) Advance-Refunded Municipal Bonds.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01(2).

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

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

"Resolution", "Bond Resolution" or "Local Act" shall mean this Resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(1).

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

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

"Series 2002 A Bonds Constructions Trust Fund" means the Series 2002 A Bonds Construction Trust Fund Reserve Account created by Section 5.01 hereof.

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

"Series 2002 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2002 A Bonds in the then current or any succeeding year.

"Series 2002 A Bonds Sinking Fund" means the Series 2002 A Bonds Sinking Fund created by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds created for the Series 2002 A Bonds and the Prior Bonds.

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

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of governmental entities satisfying certain legal and other requirements with proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds from the State Program.

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

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution or the Prior Resolutions to be set aside and held for the payment of or security for the Series 2002 A Bonds, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and the Sinking Fund,.

"System" means the complete public service properties of the Issuer for the collection, treatment. purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety, and shall include the Project and any extensions, additions, betterments and

improvements thereto, , hereafter acquired or constructed for the 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.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bond, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bond, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

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

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public service district, public corporation and political subdivision of the State in Raleigh County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, that there be acquired and constructed certain improvements, extensions or betterments to the System, as described in Exhibit A attached hereto at an aggregate estimated cost of not more than $2,500,000 in accordance with plans and specifications to be prepared by the

Consulting Engineers, which plans and specifications following approval by DEP will be on file with the District.

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 the costs of the operation and maintenance of the System, the principal of and interest on the Series 2002 A Bonds and the Prior Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the acquisition and construction of the Project is $2,500,000, which will be permanently obtained from the Series 2002 A Bonds herein authorized.

F. The period of usefulness of the System after completion of the Project will not be less than forty (40) years.

G. It is deemed necessary for the Issuer to issue its Series 2002 A Bonds in the aggregate principal amount of not more than $2,500,000 initially to be represented by a single bond, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of acquisition and construction of the Project, funding the Series 2002 A Bonds Reserve Account and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor;; the cost of interim financing for such Project; interest on the Series 2002 A Bonds, prior to, during and for six months after the estimated date of completion of acquisition and construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said construction and acquisition of the project and placing the same in operation and the financing authorized by this Resolution.

H.. It is in the best interests of the Issuer that the Series 2002 A Bonds be sold to the Authority pursuant to the terms and conditions of the Loan Agreement made a part hereof, to take advantage of the favorable terms available to the Issuer.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and issuance of the Series 2002 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired and the written approval of the West Virginia Infrastructure and Jobs Development Council.

J. There are outstanding obligations of the Issuer which will rank on a parity with the Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Series 2002 A Bond as follows:

Designation	Lien Position
Sewer Revenue Bonds, Series 1982B, August 12, 1982, issued in the original principal amount of $795,515 (the "Series 1982 B Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1994A ,dated June 8, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1996A, dated April 25, 1996, issued in the original principal amount of $151,800 (the " Series1996A Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1997C, dated June 24, 1997, issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds")	First Lien (Parity)
Sewer Revenue Refunding Bonds, Series 1997D, dated June 24, 1997, issued in the original principal amount of $3,056,955 (the "Series 1997D Bonds")Sewer	First Lien (Parity)
Revenue Bonds, Series 1998A, dated November 25, 1998, issued in the original principal amount of$1,202,100 (the "Series 1998A Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1998B, dated December 17, 1998, issued in the original principal amount of $839,000 (the "Series 1998B Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1999A, dated March 18, 1999, issued in the original	First Lien (Parity)

principal amount of $752,000
(the "Series 1999A Bonds')

Sewer
Revenue Bonds, Series 1999B,
dated March 18, 1999, issued in the original
principal amount of $165,000
(the "Series 1999B Bonds")

First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds. the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds, the Series 1999A Bonds and the Series 1999B Bonds are hereinafter collectively called the "Prior Bonds."

The Series 2002 A Bonds shall be issued on a parity with the Prior Bonds with respect to the liens, pledge and source of and security for payment and in all other respects. The Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Prior to the issuance of the Series 2002 A Bonds, the Issuer will obtain (1) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and (ii) the written consent of the holders of the Prior Bonds to the issuance of the Series 2002 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the acquisition and construction of the Project at an estimated cost of $2,500,000 in accordance with plans and specifications prepared by the Consulting Engineers, approved by DEP and the Issuer and is on file in the office of the Board. The proceeds of the Series 2002 A Bonds shall be applied as provided in Article VI hereof.

Prior to issuing the Series 2002 A Bonds, the Issuer must receive acceptable bids or enter into contracts for the acquisition and construction of the Project in an amount compatible with the financing plan submitted to the DEP.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of financing the costs, of acquisition and construction of the Project, funding the Series 2002 A Bonds Reserve Account, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $2,500,000 . The Series 2002 A Bonds shall be issued as one bond to be designated "Shady Spring Public Service District Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program)", and shall have such terms as set forth herein and in the Supplemental Resolution. The Series 2002 A Bonds shall be payable as to at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2002 A Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Series 2002 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 thereto, representing the aggregate principal amount of the Series 2002 A Bonds. The Series 2002 A Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of bonds may be issued in fully registered form and in the denominations as determined by a Supplemental Resolution. Said Bonds shall be dated and shall have such terms as set forth in said Supplemental Resolution

Section 3.02 Execution of Bond. The Series 2002 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-Treasurer. 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 has 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 3.03. Authentication and Registration. No Series 2002 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set

forth in Section 3.08 , shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2002 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2002 A Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2002 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 proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the

Bond Registrar may incur. All Bonds so surrendered shall be 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.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other bonds issued hereunder.

Section 3.06. Bonds not to be Indebtedness of the Issuer. The Series 2002 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 Owners of any of the Series 2002 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2002 A Bonds or the interest, if any, thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on the Series 2002 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Series 2002 A Bonds and to make the payments into the Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund hereinafter continued or established are hereby irrevocably pledged to such payments as the same become due.

Section 3.08. Form of Bonds. The text of the Series 2002 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
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1 $2,419,905

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 $2,419,905 or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2003, as set forth on the Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The SRF Administrative Fee of 0.5% shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2003, as set forth on Exhibit B attached hereto. 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 principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the 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 Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated December 10, 2001, among the Authority, the DEP and the Issuer.

This Bond is issued (i) to pay the costs of acquisition and construction of certain improvements and extensions to the sewerage system of the Issuer (the "Project"), (ii) to fully fund the Series 2002 A Bonds Reserve Account; 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 and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on the 10th day of January, 2002, and a Supplemental Resolution adopted by the Issuer on the 10th day of January, 2002 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured

equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE PRIOR BONDS OF THE ISSUER, AS DEFINED AND DESCRIBED IN THE RESOLUTION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and moneys in the Series 2002 A Bonds Reserve Account created under the Resolution and unexpended proceeds of this Bond (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Series 2002 A Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year of principal of and interest, if any, on this Bond and all obligations on a parity with this Bond, including the Prior Bonds;, provided however, that so long as there exists in the Series 2002 A Bond Reserve Account an amount equal to the maximum amount of principal and interest which will become due on this Bond in the then current year or any succeeding year and the reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, is funded at 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 this Bond for the terms of which reference is made to the Resolution. Remedies provided the registered owners of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, West Virginia, 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 Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the

payment of the costs of the Project described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

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

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

IN WITNESS WHEREOF, SHADY SPRING 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 _____, 2002.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: _____, 2002

Bank One, West Virginia, National Association,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL $_____

EXHIBIT B

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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.09. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Series 2002 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 and the Secretary is directed to affix the seal of the Issuer thereto, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery of the Loan Agreement is hereby authorized, ratified and approved.

Section 3.10. Filing of Amended Schedule. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the DEP, a schedule, the form of which will be provided by the DEP,setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

(2) Renewal and Replacement Fund; and

(3) Series 2002 A Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 2002 A Bonds Sinking Fund; and

(2) Series 2002 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided. As long as the Prior Bonds are Outstanding, the Issuer shall make the payments required by Section 5.03A of the Prior Resolutions and simultaneously make the payments set forth hereinafter.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, make the interest payments to the Sinking Funds of the Prior Bonds required by the Prior Resolutions.

(3) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, (i) make the principal payments to the Sinking Funds of the Prior Bonds required by the Prior Resolutions and (ii) commencing 4 months prior to the first date of payment of principal of the

Series 2002 A Bonds, remit to the Commission for deposit in the Series 2002 A Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2002 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 2002 A Bonds Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

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

(4) Next from the moneys in the Revenue Furnd, the Issuer shall on the first day of each month, (i) make the Reserve Account payments to the reserve accounts for the Prior Bonds required by the Prior Resolutions, and (ii) commencing 4 months prior to the first date of payment of principal of the Series 2002 A Bonds, if not fully funded upon issuance of the Series 2002 A Bonds, remit to the Commission for deposit in the Series 2002 A Bonds Reserve Account, an amount equal to 1/120 of the Series 2002 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2002 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2002 A Bonds Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolutions, not in addition to). 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 any Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

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 Prior Bonds and the Series 2002 A Bonds in accordance with the respective principal amounts then outstanding.

Moneys in the Series 2002 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2002 A Bonds as the same shall become due. Moneys in the Series 2002 A Bonds Reserve Account shall be used only for the purposes of paying principal of or interest on the Series 2002 A Bonds as the same shall come due, when other moneys in the Series 2002 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2002 A Bonds Reserve Account shall be transferred, not less than once each year, to the Series 2002 A Bonds (if fully funded) and Construction Trust Fund prior to completion of the Project and thereafter, to the Series 2002 A Bonds Sinking Fund.

Any withdrawals from the Series 2002 A Bonds Reserve Account which result in a reduction in the balance to an amount below the Series 2002 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Funds for payment of debt service on the Bonds have been made in full.

As and when additional Bonds ranking on a parity with the Series 2002 A Bonds are issued, provision shall be made for additional payments into the respective Sinking Funds sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Accounts in an amount equal to the Reserve Requirements.

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

Moneys in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Series 2002 A Bonds under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve account payments with respect to the Series 2002 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 Resolution. The Issuer shall also on the first day of the each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, the Reserve Accounts, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be

considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

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

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. From the moneys derived from the sale of the Series 2002 A Bonds, the following amounts shall be deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2002 A Bonds, there shall first be deposited with the Commission in the Series 2002 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

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

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2002 A Bonds, such moneys shall be deposited with the Depository Bank in the Series

2002 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set for in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2002 A Bonds.

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

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Series 2002 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Projects shall be made monthly.

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

(1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, in compliance with the construction schedule; and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Issuer shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Series 2002 A Bonds Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any owner or owners of the Series 2002 A Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Series 2002 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 said Bonds, or the interest thereon, is Outstanding and unpaid.

Section 7.02. Bond not to be Indebtedness of the Issuer. The Series 2002 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 Resolution. No Holder or Owners of any Series 2002 A Bond shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bond or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2002 A Bonds issued hereunder 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 such Net Revenues in favor of the Prior Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make all other payments provided for in the Prior Resolutions and this Resolution 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 this Resolution.

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 PSC Order, and such rates are hereby adopted.

So long as the Series 2002 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 this Resolution and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2002 A Bonds shall prove to be insufficient to produce the required sums set forth in this Resolution and the Loan Agreement, the Issuer herby covenants and agrees that it will, to the extent or the manner authorized by law, immediately adjust

and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution and the Loan Agreement.

Section 7.05 Rates. Prior to issuance of the Series 2002 A Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2002 A Bonds, including the Prior Bonds; provided that, in the event that an amount at least equal to or in excess of the Series 2002 A Bonds Reserve Requirement is on deposit in the Series 2002 A Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 2002 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Series 2002 A Bonds.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.06. 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 by the Prior Resolutions of the System, except as provided by the Prior Resolutions. Additionally, so long as the Series 2002 A Bonds are outstanding and except as otherwise required by law and with the consent of the Authority and the DEP, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal 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.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted. authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Funds and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable at par, then deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

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

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and 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 liens of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

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

Section 7.08. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds payable out of the Net Revenues of the System may be issued after the issuance of the Series 2002 A Bonds, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolutions) and with the prior written consent of the Authority and DEP. No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition and construction of extensions, additions, betterments or improvements to the System or refunding any outstanding Bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from 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 date of delivery 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 additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such

additional Net Revenues which would have been received, in the opinion of the 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 the covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the owners of the Bonds and the owners of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this Section. All such Parity Bonds, regardless of the time or times of their issuance shall rank equally with respect to their respective liens on the revenues of the System, and their respective sources of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds created in this Resolution required for and on account of such additional Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

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

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

Consulting Engineer Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of any contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bond. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during acquisition and construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to

works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer. The Issuer shall verify such insurance prior to commencement of construction.

The Issuer shall require all contractors engaged in the acquisition and 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.

Section 7.10. Engineering Services and Operating Personnel. The Issuer shall obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the DEP and the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of design, 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 DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers. Such engineer shall certify to the Authority, the DEP and the Issuer, at the completion of construction, that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer agrees that it will, at all times, provide operation and maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel, properly certified by the State, will be employed before the Project is 50% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 50% completion stage.

The Issuer agrees that qualified operating personnel, properly certified by the State, will be retained to operate the System during the entire term of the Loan Agreement.

Section 7.11. Compliance With Loan Agreements, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the planning and design of the Projects and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor shall any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

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

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the cost of acquisition and construction of the Project. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or other sources of financing for the Projects.

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

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

The accounting system for the System shall follow current generally accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Authority shall direct.

The Issuer shall file with the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent 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 owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service and reserve requirements.

Subject to the terms and 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 and has done all things, necessary to design the Project and 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, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, each month complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and is incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Project, complete the Payment Requisition Form, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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

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

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the

further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the DEP, the Authority and to any Holder of any Bonds, within 30 days of adoption thereof and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the DEP, the Authority and any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30day 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 7.18. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Series 2002 A Bonds and shall be for the benefit of all Owners of the Series 2002 A Bonds. This lien is on a parity with the lien of the Prior Bonds.

Section 7.19. Compliance. 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 DEP with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.20. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue producing utility in good condition and in compliance with all federal and state requirements and standards. The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of

the Project, all orders and approvals form the PSC and the West Virginia Infrastructure and Jobs Development Council necessary for 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 requisiteappeal period having expired without successful appeal.

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

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

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

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or

account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Certificate 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 2002 A Bonds as a condition to issuance of the Series 2002 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 2002 A Bonds as may be necessary in order to maintain the status of the Series 2002 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 2002 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the DEP, as the case may be, from which the proceeds of the Series 2002 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take any such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the DEP, to ensure compliance with the covenants and agreement 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 2002 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 2002 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on any Series 2002 A Bonds or the Prior Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2002 A Bonds set forth in this Resolution, any Supplemental Resolution or in the Series 2002 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Bond Registrar, any Paying Agent or a Holder of a Bond; or

(3) If a default occurs under this Resolution;

(4) If a default occurs under the Prior Resolutions; or

(5) 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners of the Series 2002 A Bonds shall be on a parity with those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

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

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all 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 Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2002 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. Prior to issuance of the Series 2002 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2002 A Bonds, no material modification

or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2002 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2002 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System 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 Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds from the gross income of the Owners thereof.

Section 11.02. Resolution Constitutes Contract. The provisions of the Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2002 A Bonds and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution and the Series 2002 A Bonds.

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

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

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

Adopted this 10th day of January, 2002.

SHADY SPRING PUBLIC SERVICE DISTRICT

Joseph H Schiff

Member, Public Service Board

Lonnie L Barker

Member, Public Service Board

M. Lee Lucas

Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 10th day of January, 2002.

Dated: 1/10, 2002.

[SEAL]

Secretary, Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECT

The Bonds are being issued for the purpose of financing the construction of a wastewater collection system as follows: To acquire, construct, install, operate, and maintain a wastewater collection system to be comprised of approximately 600 linear feet of four(4) inch diameter gravity sewer line, 1,400 linear feet of six(6) inch diameter gravity sewer line, 12,900 linear feet of eight(8) inch diameter gravity sewer line, 3,500 linear feet of ten(10) inch diameter gravity sewer line, 93 manholes, necessary cleanouts, one(1) lift station, an emergency generator, 4,300 linear feet of six(6) inch diameter force main, four(4) air/vacuum relief valves, removal of the Oaks Subdivision wastewater treatment plant, removal of the Little Beaver State Park wastewater treatment plant, and all requisite appurtenances.

EXHIBIT B

LOAN AGREEMENT

See Tab 12

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2002A (WEST VIRGINIA SRF PROGRAM); DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on January 10, 2002(the "Resolution"), entitled:

> RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWER FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE OF NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA SRF PROGRAM), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; AUTHORIZING EXECUTION AND DELIVERY OF SAID BONDS; RATIFYING THE LOAN AGREEMENT RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer Revenue Bonds, Series 2002A (West Virginia SRF Program) (the "Bonds")in aggregate principal amount not to exceed $2,500,000 in accordance with Chapter 16, Article 13A, and Chapter 22C, Article 2, of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Department of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority"), but requires that the exact principal amount, date, interest rate, maturity date, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution") be adopted and that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bonds be herein provided for.

WHEREAS, capitalized terms not otherwise defined herein shall have the same meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Bonds of the District with the following provisions:

(A) The Bonds shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of $2,419,905. The Bonds shall be dated the date of delivery thereof and shall bear no interest. The principal of the Bonds shall be payable quarterly on September 1, December 1, March 1 and June 1 of each year, commencing September 1, 2003, and maturing June 1, 2033, in the amounts set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest and redemption premium, if any, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds. The SRF Administrative Fee equal to .05% of the principal of the Bonds set forth in the Schedule Y attached to the Loan Agreement shall be paid quarterly on September 1, December 1, March 1 and June 1 of each year commencing September 1, 2003.

(B) The Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the

execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed. The District hereby affirms all covenants and representations made in the Loan Agreement and in the application to the DEP and the Authority.

Section 4. The District hereby appoints and designates ~~First State Bank & Trust~~ City National, Beckley, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, National Association, Charleston, West Virginia, as Registrar for the Bonds.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bonds.

Section 7. The Chairman and Secretary/Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement.

Section 8. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments until further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 11. Series 2002 A Bonds proceeds in the amount of $80,664 shall be deposited in the Series 2002 A Bonds Reserve Account at closing. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in the Series 2002 A Bonds Construction Trust Fund, as received by the District for payment of costs of the Project, including costs of issuance of the Bonds.

Section 12. The District hereby approves and accepts all contracts relating to the acquisition and construction of the Project.

Section 13. This Supplemental Resolution shall be effective immediately upon adoption.

Adopted this 10th day of January 2002.

SHADY SPRING PUBLIC SERVICE DISTRICT

Joseph H. Elliott
Chairman and Member

Bonnie L. Barber
Member

M. Leon Lucas
Member

CERTIFICATION

Certified as a true copy of a Supplemental Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 10th day of January, 2002.

Dated: 1/10, 2002

(Seal)

Secretary, Public Service Board

SHADY SPRINGS PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF FACILITIES OF SHADY SPRINGS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEROF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,875,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND NOT MORE THAN $3,078,043 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2005 B (STATE REVOLVING 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 LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORZING 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 SHADY SPRINGS PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of the Chapter 16, Article 13A, Chapter 22C, Article 2 and Chapter 31, Article 15A of the Code of West Virginia, 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. Shady Springs Public Service District (the "Issuer") is a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh County of said State.

B. The Issuer presently owns and operates a public sewer system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants

of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public sewer facilities of the Issuer, consisting of the Cool Ridge-Flat Top Wastewater Collection and Disposal Project (Phase I), together with all appurtenant facilities (the "Project"). The existing public sewer facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System".

C. The Issuer has received bids for the Project. It is deemed necessary for the Issuer to issue its Bonds, in an aggregate principal amount of not more than $1,000,000 being its Sewer Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund) the "Series 2005 A Bonds") and the Sewer Revenue Bonds, Series 2005 B (State Revolving Fund) (the "Series 2005 B Bonds", and collectively with the Series 2005 A Bonds, the "Series 2005 Bonds") to permanently finance a portion of the costs of the Project and the costs of issuance of the Bonds and related costs. The remaining costs will be paid by the Flat Top Lake Grant in the amount of $204,000 and an Army Corp of Engineers Grant of $2,700,000.

D. It is in the best interests of the Issuer that the Series 2005 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and provisions of a bond purchase agreement by and among the Issuer, the Authority and the West Virginia Department of Environmental Protection (the "DEP"), (the "Bond Purchase Agreement"), both loan agreements in form satisfactory to the respective parties (collectively, the Loan Agreements"), approved hereby if not previously approved by resolution of the Issuer.

E. There are outstanding obligations of the Issuer which will rank on parity to the Series 2005 A Bonds and Series 2005 B Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions and respect to the Series 2005 A Bonds and Series 2005 B Bonds as follows:

Designation	Lien Position
Sewer Revenue Bonds, Series 1982B, August 12, 1982, issued in the original principal amount of $795,515 (the "Series 1982B Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1994A June 8, 1994, issued in the original principal amount of $170,532 (the "Series 1994A Bonds");	First Lien (Parity)

Sewer Revenue Bonds, Series 1996A, dated April 25, 1996, issued in the original principal amount of $151,800 (the "1996A Bonds").	First Lien (Parity)
Sewer Revenue Bonds, Series 1997C dated June 24, 1997, issued in the original principal amount of $2,197,304 (the "Series 1997C Bonds");	First Lien (Parity)
Sewer Revenue Refunding Bonds, Series 1997D dated June 24, 1997, issued in the original principal amount of $3,056,955 (the "Series 1997D Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1998A dated November 25, 1998, issued in the original principal amount of$1,202,100 (the "Series 1998A Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1998B dated December 17, 1998, issued in the original principal amount of $839,000 (the "Series 1998B Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1999A, dated March 18, 1999, issued in the original principal amount of $752,000 (the "Series 1999A Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1999B, dated March 18, 1999, issued in the original principal amount of $165,000 (the "Series 1999B Bonds");	First Lien (Parity)

Sewer Revenue Bonds, Series 2002A, dated March 8, 2002, issued in the original principal amount of $2,419,905 (the "Series 2002A Bonds")	First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds. the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds, the Series 1999A Bonds, the Series 1999B Bonds and the Series 2002A Bonds are hereinafter collectively referred to as the "Prior Bonds." The Issuer's Series 2003 A Bonds will be paid in full simultaneously with the issuance of the Series 2005 Bonds.

F. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Prior Bonds and the Series 2005 Bonds and to make payments into all funds and accounts and other payments provided for herein.

G. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the design of the Project and issuance of the Series 2005 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia (the "PSC") by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2005 Bonds or such final order will not be subject to appeal or rehearing.

H. The Project has been reviewed and determined to be technically and financially feasible by the Council as required under Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2005 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all such Series 2005 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other 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 Code of West Virginia 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 Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairperson of the Governing Body of the Issuer or any temporary Chairperson duly elected by the Governing Body.

"Bondholders," "Holder of the Bonds," "Holder," "Registered Owner," "Owner" or any similar term, whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" means the Issuer, the bank or other entity to be designated as such in this Bond Resolution, or the Supplemental Resolution and its successors and assigns.

"Bonds" means, collectively, the Series 2005 Bonds and 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.

"Chairperson" means the Chairperson of the Governing Body of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2005 Bonds for all or a portion of the proceeds of the Series 2005 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"COE Grant" means the grant in the amount of $2,700,000 from the United States Army Corp of Engineers.

"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 L. A. Gates Company, Beckley, 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 Code of West Virginia, 1931, as amended; provided however, that the Consulting Engineers shall not be a regular full-time employee of the State or any of its agencies, commissions or political subdivisions.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

"DEP" means the West Virginia Division of Environmental Protection or any other agency, board or department of the State that succeeds to the functions of the DEP.

"Depository Bank" means the bank or banks designated as such in the Supplemental Resolution and any successors and assigns, which shall be a member of FDIC.

"FDIC" means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Flat Top Lake Grant" means the grant in the amount of $204,000 to be made by the Flat Top Lake Association.

"Governing Body" or "Board" means the public service board of the Issuer, as it may now or hereafter be constituted.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"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 defined).

"Issuer" means the Shady Springs Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the Loan Agreements 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, and the Issuer, the Authority and DEP providing for the purchase of the Series 2005 B Bonds, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2005 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the 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 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the Gross Revenues remaining after deduction of Operating Expenses, as hereinafter defined.

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the Commission or other entity designated as such for the Series 2005 Bonds in the Supplemental Resolution.

"Prior Bonds" shall have the meaning described in Section 1.03G hereof.

"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 1.02 hereof.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC approving the financing for the Project and the rates of the System.

"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; Governmental National Mortgage Association; Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligation issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(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 such Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time account 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, the only assets are investments of the type described in paragraphs (a) through (e) above; and

(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 _____ pursuant to Chapter 12, Article __ of the Code of West Virginia, 193 1, 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 Investor Services, Inc. or Standard & Poor's Corporation.

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code or any predecessor to the Code.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01 hereof.

"Revenue Fund" means the Revenue Fund created by Section 5.01 hereof.

"Secretary" means the Secretary of the Governing Body of the Issuer.

"Series 2005 Bonds Construction Trust Fund" means the Series 2005 A Bonds Construction Fund created by Section 5.01 hereof.

"Series 2005 A Bonds" means the Sewer Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account created 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 Fund" means the Series 2005 A Bonds Sinking Fund created by Section 5.02 hereof.

"Series 2005 B Bonds" means the Sewer Revenue Bonds, Series 2005 B (West State Revolving Fund), of the Issuer, authorized by this Resolution.

"Series 2005 B Bonds Reserve Account" means the Series 2005 B Bonds Reserve Account created by Section 5.02 hereof.

"Series 2005 B 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 B Bonds in the then current or any succeeding year.

"Series 2005 B Bonds Sinking Fund" means the Series 2005 B Bonds Sinking Fund created by Section 5.02 hereof.

"SRF Administrative Fee" means any administrative fee required to be paid under the Bond Purchase Agreement.

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local government entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds of the State.

"SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2005 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect the Series 2005 Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund.

"System" means the complete public service properties of the Issuer for the collection, treatment. purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the Code of West Virginia, 1931, as amended and in effect on the date of adoption hereof.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice

versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF THE PROJECT, APPROVAL OF THE LOAN AGREEMENTS AND PAYMENT OF DESIGN LOAN

Section 2.01. Authorization of the Project. There is hereby authorized and ordered the Project, at an estimated cost of $8,857,043. The Costs of the Project will be paid as follows: $2,875,000 will be paid from proceeds of the Series 2005 A Bonds, $3,078,043 will be paid from proceeds of the Series 2005 B Bonds, $204,000 will be paid from the Flat Top Lake Grant, and $2,700,000 will be paid by the Army Corp of Engineers. The Issuer is hereby authorized and directed to enter into the Contracts.

Section 2.02. Approval of Loan Agreements. The Issuer hereby approves the Loan Agreements and the sale of the Series 2005 A Bonds and the Series 2005 B Bonds pursuant to the Loan Agreements. The Issuer is hereby authorized and directed to execute and deliver the Loan Agreements to the Authority. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreements.

Section 2.03. Payment of Design Loan. Simultaneously with the issuance of the Series 2005 Bonds, the Issuer shall pay to the Bond Commission an amount sufficient to pay in full the Series 2003 Bonds.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of paying Costs of the Project not otherwise provided for, paying in full the Series 2003 A Bonds, funding the reserve account for the Series 2005 B Bonds and paying certain costs of issuance of the Series 2005 Bonds and related costs, or any or all of such purposes as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2005 A Bonds and Series 2005 B Bonds of the Issuer. The Series 2005 A Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund)," in the principal amount of not more than $2,875,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The Series 2005 B Bonds shall be issued as a single bond, designated "Sewer Revenue Bonds, Series 2005 B (State Revolving Fund)," in the principal amount of not more than $3,078,043, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

The aggregate principal amount of the Series 2005 Bonds need not be paid to the Issuer upon delivery of the Series 2005 Bonds but may be advanced to the Issuer as requested by the Issuer from time to time; and the Series 2005 Bonds shall evidence only the indebtedness recorded on the Record of Advances attached hereto and incorporated therein.

Section 3.02. Terms of Bonds. A. The Series 2005 Bonds shall be issued in such principal amount; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2005 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2005 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 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 Bonds. The Series 2005 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 the 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 have such terms as set forth in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2005 Bonds shall be executed in the name of the Issuer by the Chairperson, 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 Series 2005 Bonds shall cease to be such officer of the Issuer before the Series 2005 Bonds so signed and sealed have been actually sold and delivered, such Series 2005 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds has not ceased to hold such office. Any Series 2005 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Bond Registrar; Authentication and Registration. The Bond Registrar for the Series 2005 Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No such 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 forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any such Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of such Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2005 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 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 Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2005 Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly

authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging the Series 2005 Bonds or transferring the registered Series 2005 Bonds is exercised, all such Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All such Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of such 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 the 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 such Bonds, next preceding the date of the selection of the 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 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 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 on parity with the lien of the Prior Bonds. No Holder or Holders of such Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay such Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2005 Bonds shall be secured forthwith equally and ratably with the Prior Bonds by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Prior Bonds and the Series 2005 Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2005 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2005 Bonds to the original purchasers upon receipt of a request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver such Bonds to the original purchasers.

Section 3.10. Form of Bonds. The text of each series of the Series 2005 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof.

(FORM OF SERIES 2005 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2005 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-__ $_____

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRINGS PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh 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 _____ 2, _____, as set forth on the " Debt Service Schedule" attached as EXHBIT B hereto and incorporated herein by reference, bearing interest at the rate set forth in Exhibit B.

Principal installments of this Bond and interest 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 _____, _____.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of new public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, _____, and a Supplemental Resolution duly adopted by the Issuer on _____, _____, (collectively, the "Bond Legislation"), and is

subject to all the terms and conditions thereof. This Bond is being issued simultaneously with the Issuer's Sewer Revenue Bonds, Series 2005 B (State Revolving Fund) (the "Series 2005 B Bonds"). 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 this Bond 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 OTHER RESPECTS, WITH THE ISSUER'S SERIES 2005 B BONDS AND THE "PRIOR BONDS" DESCRIBED IN THE BOND LEGISLATION.

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 System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 2005 A Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2005 A Bonds Reserve Account") and unexpended proceeds of this 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, except from said special fund provided from the Net Revenues, the moneys in the Series 2005 A Bonds Reserve Account and unexpended Bond Proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Series 2005 B Bonds and the Prior Bonds; provided however, that 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 this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Series 2005 B Bonds and the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond 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 (as defined in the Bond Legislation) 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 the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, SHADY SPRINGS PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, _____.

[SEAL]

_____
Chairperson

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: _____, _____.

_____,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $	_____, _____	(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL

$_____

{C1020784.1}

EXHIBIT B

DEBT SERVICE SCHEDULE

{C1020784.1}

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____ _____ the within Bond and does hereby irrevocably constitute and appoint _____ Attorney to transfer said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

{C1020784.1}

(FORM OF SERIES 2005 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2005 B
(STATE REVOLVING FUND)

No. BR-__ $_____

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRINGS PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh 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, _____, as set forth on the " Debt Service Schedule" attached as EXHBIT B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on EXHIBIT B attached hereto.

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 Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Bond Purchase Agreement by and among the Issuer, the Authority and the DEP, dated _____, _____.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of new public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the improvements and extensions designed by the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State

of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, _____, and a Supplemental Resolution duly adopted by the Issuer on _____, _____, (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. This Bond is being issued simultaneously with the Issuer's Sewer Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund) (the "Series 2005 A Bonds"). 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 this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S SERIES 2005 A BONDS AND THE "PRIOR BONDS" DESCRIBED IN THE BOND LEGISLATION.

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 System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2005 B Bonds Reserve Account") and unexpended proceeds of this 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, except from said special fund provided from the Net Revenues, the moneys in the Series 2005 B Bonds Reserve Account and unexpended Bond Proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2005 A Bonds and the Prior Bonds; provided however, that so long as there exists in the Series 2005 B Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Series 2005 A Bonds and the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) 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 the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, SHADY SPRINGS PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, _____.

[SEAL]

_____
Chairperson

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2005 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: _____, _____.

_____,
as Registrar

By _____
Its Authorized Officer

{1020784.1}

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $	_____, _____	(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

TOTAL

$_____

{C1020784.1}

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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

{C1020784.1}

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2005 Bonds shall be sold to the Authority pursuant to the terms and conditions of the respective Loan Agreement. If not so authorized by previous resolution, the Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer thereto, 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 Agreements, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of Amended Schedule. Upon completion of the design of the Project, the Issuer will file with the Authority, DEP and the Council, a schedule, the forms of which will be provided by the Council and DEP, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created 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;

(2) Renewal and Replacement Fund;

(3) Series 2005 A Bonds Construction Trust Fund; and

(4) Series 2005 B 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 and accounts of the Commission and the Issuer and from each other:

(1) Series 2005 A Bonds Sinking Fund;

(2) Series 2005 A Bonds Reserve Account;

(3) Series 2005 B Bonds Sinking Fund; and

(4) Series 2005 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 therein and herein provided. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order of priority:

(1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously with the required payments for the Prior Bonds (i) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2005 Bonds, for deposit in the Series 2005 Bonds Sinking Fund, an amount equal

to 1/3rd of the amount of interest which will mature and become due on the Series 2005 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 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; and (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2005 Bonds, for deposit in the Series 2005 Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2005 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 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.

(3) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of design of the Project, as certified by the Consulting Engineers, with the requirements for the Prior Bonds, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2005 Bonds Reserve Account, an amount equal to 1/20th of the Series 2005 Bonds Reserve Requirement, until the amount in the Series 2005 Bonds Reserve Account equals the Series 2005 Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2005 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 Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of design of the Project, as certified by the Consulting Engineers, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 ½% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the 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 Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2005 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2005 Bonds as the same shall become due. Moneys in the Series 2005 Bonds Reserve Account shall be used only for the purposes of paying principal of and interest on the Series 2005 Bonds as the same shall

become due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2005 Bonds and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Reserve Account which result in a reduction in the balance there to below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2005 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay any 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 Sinking Fund or the Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2005 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2005 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 Bonds Sinking Fund and the Series 2005 Bonds Reserve Account created hereunder, and all amounts required for such accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at any time, the Issuer shall make the necessary arrangements whereby required payments into such accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2005 Bonds Sinking Fund and the Series 2005 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Fund and the Reserve Account shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Series 2005 Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal 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. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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 hereinabove 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 longer 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 or the Government 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 moneys in excess of the sum insured by 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 Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

H. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. There is hereby created and established with the Depository Bank, to be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from all other funds or accounts of the Issuer, the Construction Trust Fund. The moneys derived from the sale of the Series 2005 Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to the payment of the costs of the design of the Project and the costs of issuance and related costs, and until so expended, are hereby pledged as additional security for the Series 2005 Bonds.

After completion of design of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2005 Bonds shall be used to fund the Series 2005 Bonds Reserve Account, if not funded upon issuance of the Series 2005 Bonds, in an amount not to exceed the Series 2005 Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 2005 Bonds be deposited in the Series 2005 Bonds Reserve Account. Any remaining proceeds thereafter shall be used as directed by the DEP.

Section 6.02. Disbursements From the Project Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 2005 Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Project Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Bond Purchase Agreement as Exhibit C, and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

(A) None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(B) Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(C) Each of such costs has been otherwise properly incurred; and

(D) Payment for each of the items proposed is then due and owing.

Pending such application, moneys in the Project 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 2005 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 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 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 and Series 2005 B Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2005 A Bonds and Series 2005 B 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 and Series 2005 B Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2005 A Bonds and Series 2005 B Bonds and the Prior Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the operation of the System. The Net Revenues in an amount sufficient to pay the principal of and interest on the Series 2005 A Bonds and Series 2005 B Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. 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 in and approved by the PSC Order and such rates are hereby adopted.

So long as the Series 2005 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 this Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2005 Bonds shall provide 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 Series 2005 Bonds are outstanding and except as otherwise required by law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to 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 be remitted to the respective Sinking Funds and applied to the payment of principal of and interest, if any, on the Series 2005 Bonds. Any balance remaining after the payment of the Series 2005 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 the Managing 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 in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of 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 and in the Prior Bonds, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2005 Bonds. All obligations issued by the Issuer after the issuance of the Series 2005 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 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2005 Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 2005 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. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2005 Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority and the Council under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2005 Bonds.

No such Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition or construction of extensions and improvements to the System or refunding any outstanding Bonds, or both such purposes.

No such Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the 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, 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 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 the financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer and approved by the PSC, the period for appeal of which has expired prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds, issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System, and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2005 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 2005 Bonds.

No Parity Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects 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 design of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow currently accepted accounting principles and safeguards to the extent allowed and as prescribed by the PSC. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Council and the Authority, or any other original purchaser of the Series 2005 Bonds, and shall mail in each year to any Holder or Holders of the Series 2005 Bonds, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely 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 Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2005 Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

Section 7.09. Rates. Prior to the issuance of Series 2005 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 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Reserve Accounts and the reserve accounts for obligations on a parity with the Series 2005 Bonds are funded at least at the requirement

th4erefor, such balance each year need only equal at least 110% of he maximum amount required in any year for payment of principal of and interest, if any, on the Series 2005 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 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 30 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 the managing 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 the managing 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, 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 DEP, the Authority, the Council and the Government and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the respective Loan Agreements, and forward a copy of such report to the DEP, the Authority and the Council by the 10th day of each month.

Section 7.11. Engineering Services. The Issuer will obtain a certificate of Consulting Engineers in the form attached to the Bond Purchase Agreement, stating, among other things, that the Project will be constructed as described in the application submitted to the Authority, the Council and the DEP.

The Issuer shall employ and retain qualified operating personnel properly certified by the State to operate the System so long as the Series 2005 Bonds are outstanding.

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, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or charges for the services or 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 PSC, 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 any rules and regulations promulgated by the PSC, discontinue and shut off the services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the PSC and all rules, regulations and orders of the PSC.

Section 7.14. No Free Services. Except as required by law, 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 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 required 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 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 Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(6) FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such 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, the DEP, the Council and the Government. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear. The Issuer shall verify such insurance prior to commencement of construction.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and 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 PSC, 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 and Operation 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 operation of the System, all orders and approvals from the Public Service Commission of West Virginia and the West Virginia Infrastructure and Jobs Development Council necessary for the design of the Project and the operation of the System and all approvals for issuance of the Series 2005 Bonds required by state law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. [Reserved]

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2005 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 Bonds.

Section 7.20. Compliance with Loan Agreements and Law. The Issuer shall perform, satisfy and comply with all terms and conditions of the Loan Agreements and the Act. Notwithstanding anything herein to the contrary, the Issuer shall provide the Council and the DEP with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other state, federal or local bodies in regard to the Project and the operation, maintenance and use of the System.

Section 7.21. Public Releases. The Issuer shall list the funding provided by the Council, the DEP 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 ground breaking or dedication of the Project.

Section 7.22. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENTS

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2005 Bonds are Outstanding.

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 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 2005 A Bonds or Series 2005 B Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2005 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2005 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 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 at law 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 Registered Owners of the Series 2005 A Bonds and Series 2005 B Bonds and the Prior Bonds shall be on a parity with each other.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this 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 Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the 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 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 the System, 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 the System as the Issuer itself might exercise.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Series 2005 Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2005 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 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 2005 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. Prior to issuance of the Series 2005 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2005 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 2005 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2005 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein 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 Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2005 Bonds from the 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 2005 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 Bonds.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

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 Chairperson, 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 13th day of December, 2005.

M. Lee Lucas
Chairperson

Jim Wood
Member

Bonnie L. Barber
Member

{C1020784.1}

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of SHADY SPRINGS PUBLIC SERVICE DISTRICT on the 13th day of December, 2005.

Dated: December 13, 2005.

[SEAL]

Secretary

{C1020784.1}

RECYCLED 30% P.C.W. 80000 SERIES

SHADY SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS,
SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND)
SEWER REVENUE BONDS,
SERIES 2005 B (STATE REVOLVING FUND)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SHADY SPRINGS PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 2005 A BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; SEWER REVENUE BONDS, SERIES 2005 B (STATE REVOLVING FUND); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 2005 B BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; APPROVING AND RATIFYING THE LOAN AGREEMENTS WITH RESPECT TO THE SERIES 2005 A BONDS AND SERIES 2005 B BONDS; 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 Shady Springs Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on December 13, 2005 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF FACILITIES OF SHADY SPRINGS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEROF, NOT OTHERWISE PROVIDED, THROUGH THE

ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,875,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND NOT MORE THAN $3,078,043 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2005 B (STATE REVOLVING 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 LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution when used herein.

WHEREAS, the Resolution provides for the issuance of the Sewer Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund) of the Issuer, in the aggregate principal amount of not to exceed $2,875,000 (the "Bonds"), 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, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), and has authorized the execution and delivery of a bond purchase agreement relating to the Series 2005 B Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the Authority and West Virginia Department of Environmental Protection (the "DEP") (the "Bond Purchase Agreement"), all in accordance with Chapter 16, Article 13A, Chapter 31, Article 15A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be therein provided for;

WHEREAS, the Loan Agreement and the Bond Purchase Agreement have been presented to the Issuer by the Authority pursuant to the Loan Agreement and Bond Purchase Agreement;

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement and the Bond Purchase Agreement be approved and ratified, that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF SHADY SPRINGS PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

Sewer Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer originally represented by a single bond, numbered A-1, in the original principal amount of $2,875,000. The Series 2005 A Bonds shall be dated the date of delivery, shall finally mature on December 1, 2045, and shall bear interest at the rate of 0% per annum. The principal of and interest on the Series 2005 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2008, in the amounts 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.

Sewer Revenue Bonds, Series 2005 B (State Revolving Fund), of the Issuer originally represented by a single bond, numbered B-1, in the original principal amount of $ 3,078,043. The Series 2005 B Bonds shall be dated the date of delivery, shall finally mature on December 1, 2045, and shall bear interest at the rate of 0% per annum. The principal of and interest on the Series 2005 B Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2008, in the amounts set forth in the Schedule Y attached to the Bond Purchase Agreement and incorporated in and made a part of the Series 2005 B Bonds. The Series 2005 B Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Bond Purchase Agreement, so long as the Authority shall be the Registered Owner of the Series 2005 B Bonds. The Series 2005 B Bonds are subject to an Administrative Fee of 0.5%

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Resolution.

Section 3. The Issuer hereby ratifies, approves and accepts the Loan Agreement and the Bond Purchase Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement and the Bond Purchase Agreement by the Chairperson and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and the Bond Purchase Agreement and in the applications to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates City National Bank of WV, Beckley/Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2005 Bonds under the Resolution and approves and accepts 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 Chairperson, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 5. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as the Paying Agent for the Series 2005 Bonds under the Resolution.

Section 6. The Issuer hereby appoints and designates City National Bank of WV, Beckley/Charleston, West Virginia, to serve as the Depository Bank.

Section 7. 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 8. Series 2005 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 2005 B 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. Series 2005 B Bonds proceeds in the amount of $152,300 shall be deposited in the Series 2005 B Bonds Reserve Account.

Section 11. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in the Series 2005 Bonds Construction Trust Funds, as received by the Issuer for payment of costs of the Project, including costs of issuance of the Bonds. $185,328.93 of the proceeds of the Series 2005 A Bonds shall be deposited with the Commission for payment in full of the Series 2003 Bonds.

Section 12. The Chairperson 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 Resolution approved and provided for, to the end that the Series 2005 Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about December 13, 2005.

Section 13. 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 resident of the Issuer.

Section 14. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Sinking Funds and the Reserve Accounts shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 15. The Issuer hereby approves and accepts all contracts relating to the design of the Project.

Section 16. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 17. This Supplemental Resolution shall be effective immediately following the adoption hereof.

Adopted this 13th day of December, 2005.

M. Lear Lucas
Chairperson

Jim Wood
Member

Lonnie L. Barker
Member

{C1022484.1}

CERTIFICATION

Certified as a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Shady Springs Public Service District on the 13th day of December, 2005.

Dated this 13th day of December, 2005.

[SEAL]

Secretary

Bowles Rice
McDavid Graff & Love LLP

600 Quarrier Street Charleston, West Virginia 25301 ❖ Post Office Box 1386 Charleston, West Virginia 25325-1386 (304) 347-1100 ❖ www.bowlesrice.com

CLOSING MEMORANDUM

To: Financing Team

From: Camden P. Siegrist, Esquire

Date: October 25, 2010

Re: Shady Springs Public Service District
Sewer Revenue Bonds, Series 2010 (Clean Water State Revolving Fund)

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1. DISBURSEMENT TO THE SHADY SPRINGS PUBLIC SERVICE DISTRICT

A.

Payor:	West Virginia Department of Environmental Protection
Payee:	Shady Springs Public Service District P.O. Box 235 Beaver, West Virginia 25813
Source:	Series 2010 Sewer Revenue Bonds
Amount:	$292,528.00
Form:	Wire
ABA #:	051904524
Account:	8004530872
Bank:	City National Bank of West Virginia
Contact:	Diane Keller, 304-255-7310 One Park Avenue, Beckley, West Virginia 25801
Account:	Series 2010 Bonds Construction Trust Fund

ARTICLE 13A

PUBLIC SERVICE DISTRICTS

Section

16–13A–1. Legislative findings.
16–13A–1a. Jurisdiction of the public service commission.
16–13A–1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.
16–13A–1c. General purpose of districts.
16–13A–2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State.
16–13A–3. District to be a public corporation and political subdivision; powers thereof; public service boards.
16–13A–3a. Removal of members of public service board.
16–13A–4. Board chairman; members' compensation; procedure; district name.
16–13A–5. General manager of board.
16–13A–6. Employees of board.
16–13A–7. Acquisition and operation of district properties.
16–13A–8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
16–13A–9a. Limitations with respect to foreclosure.
16–13A–10. Budget.
16–13A–11. Accounts; audit.
16–13A–12. Disbursement of district funds.
16–13A–13. Revenue bonds.
16–13A–14. Items included in cost of properties.
16–13A–15. Bonds may be secured by trust indenture.
16–13A–16. Sinking fund for revenue bonds.
16–13A–17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.
16–13A–18. Operating contracts.
16–13A–18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.
16–13A–19. Statutory mortgage lien created; foreclosure thereof.
16–13A–20. Refunding revenue bonds.
16–13A–21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
16–13A–22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.
16–13A–23. Validation of acts and proceedings of public service boards.
16–13A–24. Acceptance of loans, grants or temporary advances.
16–13A–25. Borrowing and bond issuance; procedure.

§ 16–13A–1. Legislative findings

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been

unable to obtain public utility services. To further this effort, and to insure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1986, c. 81.

Cross References

County courts, authority to make grants for water and sewer systems, see § 7–1–3t.

Administrative Code References

Sewer utilities regulations, see W. Va. Code St. R. § 150–5–1 et seq.

Library References

Counties ⚷18.
Municipal Corporations ⚷5, 6.
Public Utilities ⚷145.
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

Notes of Decisions

In general 2
Admissibility of evidence 8
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Validity 1

1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6

§ 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3); Statutes ⟹ 123(5)

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 4056; Municipal Corporations ⟹ 4

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 4416; Municipal Corporations ⟹ 408(1)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 2355; Municipal Corporations ⟹ 4

2. In general

A public service district may be created for the purpose of furnishing water or sewer services, or both water and sewer services. Code, 16-13A-1. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 5

Creation and operation of water or sanitary districts or authorities by issuance of revenue bonds payable from revenues are authorized. Code, 16-13A-1 et seq. State ex rel. Appalachian Power Co. v. Gainer, 1965, 143 S.E.2d 351, 149 W.Va. 740. Health ⟹ 369; Waters And Water Courses ⟹ 183.5

A county court may use Federal Revenue Sharing Funds for ordinary and necessary maintenance and operating expenses for sewage disposal, sanitation, and pollution abatement, and ordinary and necessary capital expenditures authorized by law but may not use such funds for matching purposes under any other federal-aid program. 55 W.Va. Op.Atty.Gen. 116 (June 27, 1973) 1973 WL 159152.

3. Construction and application

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 80(3)

4. Eminent domain powers

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⟹ 32

Condemnation by public service district is not a taking of private property for private use in violation of applicable constitutional provision. Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⟹ 13

5. Property of public service district

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⟹ 2289

6. Rates and charges for service

Relief under Federal Securities Act of 1933 was not adequate or sufficient remedy for relief sought by corporations holding sewer revenue bonds of public service district in mandamus proceeding to compel district to establish and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariff reflecting such charges with Public Service Commission, and any relief afforded under provisions of federal statute could not supersede relief which could be granted in mandamus proceeding. Securities Act of 1933, § 1 et seq., 15 U.S.C.A. § 77a et seq.; Code, 16-13A-1 et seq. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 3(8)

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operation-

al and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⚷ 110

It was ministerial duty of chairman of public service board of public service district to sign revenue bonds and to assist in effectuating their issuance, and in view of constitutionality of statute authorizing creation of the public service board, relator's showing of legal right to require performance of such duty, was sufficient and writ of mandamus would issue. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⚷ 103

7. Creation and enforcement of liens

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⚷ 712(7)

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⚷ 14.6; Municipal Corporations ⚷ 712(7); Waters And Water Courses ⚷ 203(14)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⚷ 222; Municipal Corporations ⚷ 225(1)

8. Admissibility of evidence

Extrinsic evidence relating to background and negotiations with regard to forming a public service district were not admissible in regard to construction of a contract for furnishing of water, where contract language was clear and unambiguous that district was to furnish water as customer should require. Berkeley County Public Service Dist. v. Vitro Corp. of America, 1968, 162 S.E.2d 189, 152 W.Va. 252. Evidence ⚷ 448

9. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⚷ 190

§ 16–13A–1a. Jurisdiction of the public service commission

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters.

Acts 1986, c. 81.

Library References

Public Utilities ⚷145. Westlaw Topic No. 317A.

C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

Notes of Decisions

In general 1

1. In general

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24-1-1 et seq., 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⚷ 123

Legislature sought to establish in Public Service Commission (PSC) governmental entity which would protect public from unfair rates and practices by public utilities and also ensure that public utilities are given competitive return for their stockholders. Code, 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⚷ 123; Public Utilities ⚷ 129

§ 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification: Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission. Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission.

Acts 1986, c. 81; Acts 1994, c. 61.

Cross References

Public Service Commission, participation in studies, see § 24–1–1b.

Library References

Counties ⚷18, 47.
Westlaw Topic No. 104.
C.J.S. Counties §§ 31, 70 to 73.

§ 16–13A–1c. General purpose of districts

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of, properties supplying water, sewerage or stormwater services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with: (1) The diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (herein sometimes referred to as "water facilities"); (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills"); (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"); or (4) the collection, control or disposal of stormwater (herein sometimes referred to as "stormwater system" or "stormwater systems"), or (5) the management, operation, maintenance and control of stormwater and stormwater systems (herein sometimes referred to as "stormwater management program" or "stormwater management programs"). As used in this article "stormwater system" or "stormwater systems" means a stormwater system in its entirety or any integral part thereof used to collect, control or dispose of stormwater, and includes all facilities, structures and natural water courses used for collecting and conducting stormwater to, through and from drainage areas to the points of final outlet including, but not limited to, any and all of the following: Inlets, conduits, outlets, channels, ponds, drainage easements, water quality facilities, catch basins, ditches, streams, gulches, flumes, culverts, siphons, retention or detention basins, dams, floodwalls, pipes, flood control systems, levies and pumping stations: Provided, That the term "stormwater system" or "stormwater systems" does not include highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. As used in this article "stormwater management program" or "stormwater management programs" means those activities associated with the management, operation, maintenance and control of stormwater and stormwater systems, and includes, but is not limited to, public education, stormwater and surface runoff water quality improvement, mapping, planning, flood control, inspection, enforce-

ment and any other activities required by state and federal law: Provided, however, That the term "stormwater management program" or "stormwater management programs" does not include those activities associated with the management, operation, maintenance and control of highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways.

Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⟹18.
Gas ⟹12.
Municipal Corporations ⟹5, 6.
Waters and Water Courses ⟹183.5.
Westlaw Topic Nos. 104, 190, 268, 405.

C.J.S. Counties § 31.
C.J.S. Gas §§ 43 to 45.
C.J.S. Municipal Corporations § 11.
C.J.S. Waters §§ 483, 543 to 581.

§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) On its own motion by order duly adopted, (2) upon the recommendation of the Public Service Commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: *Provided,* That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the Public Service Commission, which approval and consent shall be in accordance with rules promulgated by the Public Service Commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: *Provided, however,* That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services, stormwater services or gas facilities not being furnished within such territory or part thereof: *Provided further,* That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district

except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. Within ten days of fixing the date of hearing, the county commission shall provide the Executive Secretary of the Public Service Commission with a copy of the order or petition and notification of the time and place of the hearing to be held by the county commission. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing

the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the Public Service Commission for such purpose: *Provided,* That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the Public Service Commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: *Provided, however,* That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the Public Service Commission. The Public Service Commission may provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The Public Service Commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the Public Service Commission pursuant to this section and section one-b, of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: *Provided,* That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive, all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the Public Service Commission shall apply. The Commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: *Provided, however,* That where two or more public service districts are consolidated pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts 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, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the Secretary of State and the Public Service Commission by the first day of July of each year.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1967, c. 105; Acts 1975, c. 140; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1995, c. 125, eff. 90 days after March 11, 1995; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2005, c. 195, eff. 90 days after April 9, 2005.

Library References

Counties ⟹47.
Municipal Corporations ⟹6.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.
C.J.S. Municipal Corporations § 11.

Notes of Decisions

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1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3); Statutes ⟹ 123(5).

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24.

State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 2355; Municipal Corporations ⟹ 4

2. Creation of public service districts

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A–1, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⟹ 32

Where public service district was created for purpose of furnishing water services, county court had authority to add sewerage services to the facilities of the district under appropriate proceedings. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 270

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222; Municipal Corporations ⟹ 225(1)

3. District boundaries

Public service district statute that allowed county commission to designate district's boundaries did not also empower commission to make service territories exclusive, displacing Public Service Commission's (PSC) authority to determine service rights. Code, 16–13A–2. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Counties ⟹ 47

4. Notice of hearing

Provisions of statute, with respect to creation of public service districts, which relate to the filing of the petition or motion of the county court, the description of the territory to be embraced, and like provisions are mandatory; but, despite use of the word "shall," the requirements for posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 12(3); Municipal Corporations ⟹ 12(6)

Though record with respect to creation of public service district was silent with respect to posting of notice of hearing and as to whether hearing was not more than 40 nor less than 20 days after his fixing the date for hearing as provided by statute, there was substantial compliance with statute where hearing was set some time prior to the date of the hearing, there was publication of notice more than ten days prior to the date of the hearing as required, and there were no objections either before, during or after the hearing to the creation of the district or to the procedures employed in its creation. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 12(6)

5. Number of voters within district

Public service district was not void because there were not 100 legal voters owning property within the district. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⟹ 6

6. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⟹ 190

7. Referendum

A public service district, once created by county court, not subject to referendum on issue to continue or be abolished. 52 W.Va. Op.Atty. Gen. 33 (August 11, 1966) 1966 WL 87428.

§ 16–13A–3. District to be a public corporation and political subdivision; powers thereof; public service boards

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into

contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, or for furnishing stormwater services for the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six

years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1983, c. 166; Acts 1986, c. 81; Acts 1994, c. 61; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Law Review and Journal Commentaries

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).

"Yes, West Virginia, there is a special priority for the purchase money mortgage:" The recognition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

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Counties ⚷18.
Municipal Corporations ⚷6.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.

Notes of Decisions

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1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary

for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op.Atty.Gen. 2 (July 14, 1988) 1988 WL 483329.

2. Standard of care

Public service district owes duty of reasonable care to avoid damage to property of others with respect to maintenance of water lines. McCloud v. Salt Rock Water Public Service Dist., 2000, 533 S.E.2d 679, 207 W.Va. 453. Waters And Water Courses ⟹ 205

3. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⟹ 55; Judges ⟹ 21

4. Removal of members

Public Service District board member can be removed by majority vote of registered voters. 51 W.Va. Op.Atty.Gen. 564 (November 10, 1965) 1965 WL 92492.

5. Criminal responsibility of members

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⟹ 60

6. Sale of water

Public Service Districts may sell, at wholesale, bulk water to other municipal corporations. 51 W.Va. Op.Atty.Gen. 739 (March 16, 1966) 1966 WL 87469.

7. Tort Claims Act

Tort Claims Act's protection extended to public service districts, under the Act's definition of political subdivision, which included the term "public service districts," despite general authorization for public service districts to "sue and be sued," in the Public Health statutes. Zirkle v. Elkins Road Public Service Dist., 2007, 655 S.E.2d 155. Waters And Water Courses ⟹ 183.5

§ 16–13A–3a. Removal of members of public service board

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal.

Acts 1963, c. 75; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1986, c. 81.

Library References

Counties ⚷45.
Public Utilities ⚷145.
Westlaw Topic Nos. 104, 317A.

C.J.S. Counties § 67.
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

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1. Criminal responsibility of members

Upon becoming member of county commission, person who is pecuniarily interested in proceeds of any contract or service with public service district violates criminal conflict of interest statute; by virtue of that position, that person has some voice, influence, or control over continuation of contract. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⚷ 60

2. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⚷ 55; Judges ⚷ 21

3. Sufficiency of evidence

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⚷ 60

Conflict of interest indictment against county commissioner was sufficient even though it did not characterize commissioner's interest as pecuniary, and commissioner was not entitled to bill of particulars. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⚷ 60

§ 16-13A-4. Board chairman; members' compensation; procedure; district name

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five

dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the Public Service Commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three, article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful

misconduct in the performance of their duties. The county commission which created a district or county commissions if more than one created the district may, upon written request of the district, adopt an order changing the official name of a public service district: *Provided,* That such name change will not be effective until approved by the public service commission of West Virginia and the owners of any bonds and notes issued by the district, if any, shall have consented, in writing, to the name change. If a district includes territory located in more than one county, the county commission or county commissions changing the name of the district shall provide any county commission into which the district also extends with a certified copy of the order changing the name of the district. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2000, c. 199, eff. 90 days after March 11, 2000; Acts 2005, c. 196, eff. 90 days after April 8, 2005.

Library References

Counties ⚷68, 87.
Municipal Corporations ⚷161.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 107 to 118, 128.
C.J.S. Municipal Corporations §§ 372 to 390.

Notes of Decisions

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1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op.Atty.Gen. 2 (July 14, 1988) 1988 WL 483329.

§ 16–13A–5. General manager of board

The board may employ a general manager to serve a term of not more than five years and until his or her successor is employed, and his or her compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his or her time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he or she shall perform and exercise such other powers and duties as may be conferred upon him or her by the board.

Such general manager shall be chosen without regard to his or her political affiliations and upon the sole basis of his or her administrative and technical qualifications to manage public service properties and affairs of the district and he or she may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he or she is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water, sewer or stormwater service from a municipal water, sewer or stormwater system or

another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water, sewer or stormwater system or public service district from which such water, sewer or stormwater service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⟹65, 68.
Municipal Corporations ⟹149, 161.
Westlaw Topic Nos. 104, 268.
C.J.S. Counties §§ 101 to 103, 107 to 118.
C.J.S. Municipal Corporations §§ 361 to 366, 368, 372 to 390.

§ 16–13A–6. Employees of board

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of employment and compensation and prescribe the duties to be performed by such employees.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Counties ⟹65, 68, 87.
Municipal Corporations ⟹149, 161, 170.
Westlaw Topic Nos. 104, 268.
C.J.S. Counties §§ 101 to 103, 107 to 118, 128.
C.J.S. Municipal Corporations §§ 361 to 366, 368, 372 to 405.

§ 16–13A–7. Acquisition and operation of district properties

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same, including, but not limited to, those activities necessary to comply with all federal and state requirements, including water quality improvement activities. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three, chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent

possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years.

Acts 1953, c. 147; Acts 1967, c. 105; Acts 1981, c. 124; Acts 1982, c. 24; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⚷107.
Municipal Corporations ⚷711.
Public Utilities ⚷114.
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 147.
C.J.S. Municipal Corporations § 1535.
C.J.S. Public Utilities §§ 5 to 9, 202 to 207.

§ 16–13A–8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities, stormwater facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding

and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities, a stormwater system, stormwater management program or gas facilities for water, sewer, stormwater or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That the power of eminent domain provided in this section does not extend to highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways: Provided, however, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1981, c. 124; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐103, 104.
Eminent Domain ⇐6, 16.
Municipal Corporations ⇐221, 224.
Westlaw Topic Nos. 104, 148, 268.

C.J.S. Counties §§ 143 to 144, 147.
C.J.S. Municipal Corporations §§ 873 to 880.
C.J.S. Property § 17.

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1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying wa-

ter and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3); Statutes ⟹ 123(5)

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⟹ 2289

2. In general

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 2510

3. Eminent domain powers

Although construction of new facility proposed by utility will often require taking of private property through eminent domain, absent express statutory language Public Service Commission (PSC) has no duty to review and decide issues that are inherent in eminent domain proceeding. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⟹ 114

Statute providing that private property may be taken or damaged for a number of specified purposes is consonant with organic law and is constitutional. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⟹ 3

4. Valuation of property

Although landowner is competent to give estimate of value of property in eminent domain proceeding, that valuation is not conclusive; government agency may rely on appraisal report concerning estimated value of property to be taken. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Evidence ⟹ 568(4)

5. Environmental assessment

Whether construction of sewage lagoons would constitute "nuisance" does not defeat Public Service Commission's (PSC) jurisdiction to issue certificate of public convenience and necessity; while PSC may assess environmental considerations, chief inquiry by PSC is need of public for project. Code, 24–2–11. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⟹ 708

6. Connections with sewers or drains

City, rather than sewer and water districts, was entitled to provide sewer and water services to newly developed tract that was within districts' boundaries, but was annexed to city, where such services were not previously furnished to tract. Code, 16–13A–8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⟹ 712(1); Waters And Water Courses ⟹ 201

If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right to extend water and/or sewer service which were not being previously furnished to the tract by the public service district, and under those circumstances, a public service district would need the consent of the municipality and the Public Service Commission (PSC) in order to provide such service. Code, 16–13A–8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⟹ 712(1); Waters And Water Courses ⟹ 201; Waters And Water Courses ⟹ 202

7. Public corporation

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 80(3)

§ 16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management,

maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district. The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

(A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;

(B) The number and kind of fixtures connected with the facilities located on the various premises;

(C) The number of persons served by the facilities;

(D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or

(E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia division of highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or fifty dollars, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or fifty dollars and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or fifty dollars. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or fifty dollars

has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the public service commission may prescribe: *Provided,* That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities either water or sewer, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: *Provided,* That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: *Provided, however,* That any termination of water service must comply with all rules and orders of the public service commission.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the division of health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where

there is gravity flow or transportation by any other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump or any other method approved by the division of health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the division of health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) Whenever any district has made available a stormwater system to any owner, tenant or occupant of any real property located near the stormwater system and where stormwater from real property affects or drains into the stormwater system, it is hereby found, determined and declared that the owner, tenant or occupant is being served by the stormwater system and it is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge, and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and munici-

pal taxes. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided,* That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven, article eleven, chapter twenty-two of this code, is exempt from the provisions of this section.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003.

Law Review and Journal Commentaries

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"Yes, West Virginia, there is a special priority for the purchase money mortgage:" The recognition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

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Gas ⚷14.6.
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C.J.S. Gas §§ 64, 84 to 85.
C.J.S. Municipal Corporations § 1535.
C.J.S. Waters §§ 483, 666 to 732.

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Validity 1

1. Validity

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⚷ 4416; Municipal Corporations ⚷ 408(1)

2. Takings

Public service district's requiring property owner to connect onto its sewer system and to abandon private sewer system located on property was not a taking of private property without just compensation. Const. Art. 3, § 9; Code, 16-13A-9; U.S.C.A. Const.Amend. 5. Kingmill Valley Public Service Dist. v. River-

view Estates Mobile Home Park, Inc., 1989, 386 S.E.2d 483, 182 W.Va. 116. Eminent Domain ⟹ 2.18

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 2510

3. Public service district liens

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⟹ 14.6; Municipal Corporations ⟹ 712(7); Waters And Water Courses ⟹ 203(14)

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⟹ 712(7)

If owner, tenant or occupant of garage apartment did not receive notice that public service district's sewer facilities were available for apartment, district would have been without statutory authority to impose charges and a lien against apartment for sewer services, though the apartment was on a lot containing another dwelling which was properly subject to sewer service charges. Code, 16–13A–9, 16–13A–21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Municipal Corporations ⟹ 712(7)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222; Municipal Corporations ⟹ 225(1)

4. Rates and charges for service

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24–1–1 et seq., 24–2–3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⟹ 123

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 110

Duty imposed on public service district, a public corporation and political subdivision of state, to establish rates and charges sufficient to pay cost of maintenance, operation and depreciation of properties of district and principal of and interest on all bonds issued by district is nondiscretionary duty which may be enforced by mandamus. Code, 16–13A–9. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 80

5. Notice of availability of sewer service

Issue of fact as to whether owner or tenant had received notice that public service district's sewer services were available for garage apartment, so as to allow imposition of sewer service charges and a lien against apartment, was not appropriate for resolution in mandamus proceeding. Code, 16–13A–9, 16–13A–21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Mandamus ⟹ 174

§ 16–13A–9a. Limitations with respect to foreclosure

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that

the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought.

Acts 1982, c. 74.

Library References

Gas ⟹14.6.
Municipal Corporations ⟹712.
Waters and Water Courses ⟹203.
Westlaw Topic Nos. 190, 268, 405.

C.J.S. Gas §§ 64, 84 to 85.
C.J.S. Municipal Corporations § 1535.
C.J.S. Waters §§ 483, 666 to 732.

§ 16–13A–10. Budget

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board, and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Counties ⟹154.5.
Municipal Corporations ⟹879.
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to 1622.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹110

§ 16–13A–11. Accounts; audit

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders

pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine, chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81.

Library References

Counties ⟹154.5.
Municipal Corporations ⟹879.
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to 1622.

§ 16-13A-12. Disbursement of district funds

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Counties ⟹158.
Municipal Corporations ⟹883.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 198.
C.J.S. Municipal Corporations §§ 1626, 1635.

§ 16–13A–13. Revenue bonds

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolution or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized.

Acts 1953, c. 147; Acts 1970, c. 11; Acts 1970, c. 12; Acts 1970, 1st Ex. Sess., c. 2; Acts 1980, c. 33; Acts 1981, 1st Ex. Sess., c. 2; Acts 1989, c. 174.

Library References

Counties ⟹174.
Municipal Corporations ⟹911.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 218.
C.J.S. Municipal Corporations §§ 1647 to 1649.

Notes of Decisions

In general 1

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1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 110

Two acts amending same Code section in same manner except as to maximum interest rate of bonds, enacted on same date at same legislative session, and impossible to determine which passed after the other, that having lower maximum interest rate will govern. 53 W.Va. Op.Atty.Gen. 418 (April 8, 1970) 1970 WL 116579.

§ 16-13A-14. Items included in cost of properties

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; for stormwater systems and associated stormwater management programs, those activities which include, but are not limited to, water quality improvement activities necessary to comply with all federal and state requirements; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

Acts 1953, c. 147; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⟹154.5.
Municipal Corporations ⟹879.
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to 1622.

§ 16-13A-15. Bonds may be secured by trust indenture

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the State of West Virginia, but no such trust indenture shall convey, mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable

and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee.

Acts 1953, c. 147.

Library References

Counties ⟹183.
Municipal Corporations ⟹950(15).
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 222.
C.J.S. Municipal Corporations §§ 1708 to 1709.

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

§ 16-13A-16. Sinking fund for revenue bonds

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions.

Acts 1953, c. 147.

Library References

Counties ⟹186.5.
Municipal Corporations ⟹951.
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1704 to 1705.

§ 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided.

Acts 1953, c. 147.

Library References

Counties ⟹188.
Municipal Corporations ⟹937, 955.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.
C.J.S. Municipal Corporations §§ 1707, 1711.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⟹ 110

§ 16–13A–18. Operating contracts

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid.

Acts 1953, c. 147.

Library References

Counties ⟹114.
Municipal Corporations ⟹328.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 161.
C.J.S. Municipal Corporations §§ 1027 to 1029.

§ 16–13A–18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds

In any case where a public service district owns a water, sewer, stormwater or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer, stormwater or gas system to any municipality or privately-owned water, sewer, stormwater or gas system, or to any water, sewer, stormwater or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer, stormwater or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer, stormwater or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer, stormwater or gas system is located to be placed in the general funds of such county commission.

Acts 1963, c. 75; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 160, eff. 90 days after April 10, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⟹110.
Municipal Corporations ⟹225.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 147.
C.J.S. Municipal Corporations §§ 882 to 892.

§ 16–13A–19. Statutory mortgage lien created; foreclosure thereof

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

Acts 1953, c. 147.

Library References

Counties ⟹188.
Municipal Corporations ⟹937, 955.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.
C.J.S. Municipal Corporations §§ 1707, 1711.

Notes of Decisions

In general 1

1. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222; Municipal Corporations ⟹ 225(1)

§ 16–13A–20. Refunding revenue bonds

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding

bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded.

Acts 1953, c. 147.

Library References

Counties ⚷175.
Municipal Corporations ⚷913.
Westlaw Topic Nos. 104, 268.
C.J.S. Counties § 218.
C.J.S. Municipal Corporations §§ 1647 to 1648, 1651.

§ 16–13A–21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent.

Acts 1953, c. 147; Acts 1986, c. 81; Acts 1994, c. 61.

Library References

Counties ⚷18.
Municipal Corporations ⚷5.
Taxation ⚷2316, 3519.
Westlaw Topic Nos. 104, 268, 371.
C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.

Notes of Decisions

In general 2
Validity 1

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1. Validity

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⚷ 4056; Municipal Corporations ⚷ 4

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional

delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⟹ 2355; Municipal Corporations ⟹ 4

2. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⟹ 222; Municipal Corporations ⟹ 225(1)

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⟹ 123(3); Statutes ⟹ 123(5)

§ 16–13A–22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards

All acts and proceedings taken by any county court of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect, for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city, incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members, and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article.

Acts 1958, c. 14; Acts 1960, c. 19.

W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.

Library References

Counties ⟹18.
Municipal Corporations ⟹5.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.

§ 16–13A–23. Validation of acts and proceedings of public service boards

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect, by any county court of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act.

Acts 1958, c. 14; Acts 1960, c. 19; Acts 1965, c. 134.

W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.

Library References

Counties ⟹47.
Municipal Corporations ⟹166.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.
C.J.S. Municipal Corporations §§ 369 to 371.

§ 16–13A–24. Acceptance of loans, grants or temporary advances

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems, stormwater systems or stormwater management systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this article, the revenues of the said water system, sewage system, stormwater system or associated stormwater management system or gas facilities, or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary

advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument.

Acts 1958, c. 14; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 118; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⚷149.
Municipal Corporations ⚷864(3).
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 185, 187.
C.J.S. Municipal Corporations §§ 1583 to 1585, 1587.

Notes of Decisions

In general 1

1. In general

The borrowing by PSD's of money from counties and/or municipalities, as evidenced by a note, is permissible borrowing under this section. 62 W.Va. Op.Atty.Gen. 27 (May 6, 1988) 1988 WL 483331.

§ 16-13A-25. Borrowing and bond issuance; procedure

(a) Notwithstanding any other provisions of this article to the contrary, a public service district may not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four of this article without the prior consent and approval of the Public Service Commission: *Provided*, That approval of funding set forth in section eleven, article two, chapter twenty-four of this code or this section is not required if the funding is for a project which has received a certificate of public convenience and necessity after the eighth day of July, two thousand five, from the commission and where the cost of the project changes but the change does not affect the rates established for the project.

(b) The Public Service Commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, a verified statement by the board members that the public service district has complied with chapter five-g of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to:

(1) Experience with the same engineering firm; or

(2) Completion of a construction project requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver.

(c) An engineering contract that meets one or more of the following criteria is exempt from the waiver or approval requirements:

(1) A contract with a public service district that is a Class A utility on the first day of April, two thousand three, or subsequently becomes a Class A utility as defined by commission rule;

(2) A contract with a public service district that does not require borrowing and that can be paid out of existing rates;

(3) A contract where the payment of engineering fees are contingent upon the receipt of funding, and commission approval of the funding, to construct the project which is the subject of the contract; or

(4) A contract that does not exceed fifteen thousand dollars.

(d) Requests for approval or waivers of engineering contracts shall be deemed granted thirty days after the filing date unless the staff of the Public Service Commission or a party files an objection to the request. If an objection is filed, the Public Service Commission shall issue its decision within one hundred twenty days of the filing date. In the event objection is received to a request for a waiver, the application shall be considered a request for waiver as well as a request for approval in the event a waiver is not appropriate.

(e) Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the Public Service Commission in accordance with the provision of chapter twenty-four of this code when a public service district is seeking to acquire or construct public service property.

Acts 1969, 1st Ex. Sess., c. 6; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1996, c. 213, eff. 90 days after March 9, 1996; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2003, c. 184, eff. 90 days after March 7, 2003; Acts 2005, c. 193, eff. 90 days after April 9, 2005; Acts 2006, c. 190, eff. 90 days after March 10, 2006.

Library References

Counties ⟹114.
Municipal Corporations ⟹270.
Public Utilities ⟹145.
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 161.
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

Research References

ALR Library

101 ALR 5th 287, Remedies for Sewage Treatment Plant Alleged or Deemed to be Nuisance.

Notes of Decisions

In general 1
Certificate of public convenience and necessity 2

1. In general

Proposed sewage treatment project complied with buffer zone requirements where all parties acknowledged that distance of proposed sewage lagoons from property owners' home was further than minimum buffer-zone requirement of 300 feet; Public Service Commission relied on ample evidence in record to support claim that proposed location was both cost-effective and environmentally sound. Code, 16–13A–25, 24–2–11, 24–2–11(a). Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305.
Municipal Corporations ⟹ 708

2. Certificate of public convenience and necessity

Public Service district must obtain certificate of public convenience and necessity before it can acquire or construct public service property. Code, 16–13A–25. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305.
Public Utilities ⟹ 113

ARTICLE 13A
PUBLIC SERVICE DISTRICTS

Section
16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.

§ 16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district. The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

(A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;

(B) The number and kind of fixtures connected with the facilities located on the various premises;

(C) The number of persons served by the facilities;

(D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or

(E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia Division of Highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or $50, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or $50 and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or $50. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or $50 has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the Public Service Commission may prescribe: *Provided,* That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or

charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the Public Service Commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent. *Provided, however,* That nothing contained within the rules of the Public Service Commission shall be deemed to require any agents or employees of the board to accept payment at the customer's premises in lieu of discontinuing service for a delinquent bill.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately water facilities, sewer facilities or stormwater facilities and the district owns and operates another kind of facility either water or sewer, or both, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer or stormwater service fees and charges: *Provided,* That any contracts entered into by a public service district pursuant to this section shall be submitted to the Public Service Commission for approval. Any public service district which provides water and sewer service, water and stormwater service or water, sewer and stormwater service has the right to terminate water service for delinquency in payment of water, sewer or stormwater bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer or stormwater district is providing water service and the district providing sewer or stormwater service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer or stormwater district that is providing water service, upon the request of the district providing sewer or stormwater service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer or stormwater account. *Provided, however,* That any termination of water service must comply with all rules and orders of the Public Service Commission. *Provided further,* That nothing contained within the rules of the Public Service Commission shall be deemed to require any agents or employees of the Public Service Districts to accept payment at the customer's premises in lieu of discontinuing service for a delinquent bill.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the Division of Health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the Division of Health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where there is gravity flow or transportation by any other methods approved by the Division of Health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the Public Service District Board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump or any other method approved by the Division of Health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the Public Service Commission. The circuit

court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the Division of Health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay, the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) The owner, tenant or occupant of any real property may be determined and declared to be served by a stormwater system only after each of the following conditions is met: (1) The district has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community, as defined in 40 C.F.R. § 122.26; (2) the district's authority has been properly expanded to operate and maintain a stormwater system; (3) the district has made available a stormwater system where stormwater from the real property affects or drains into the stormwater system; and (4) the real property is located in the Municipal Separate Storm Sewer System's designated service area. It is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner. An entity providing stormwater service shall provide a tenant a report of the stormwater fee charged for the entire property and, if appropriate, that portion of the fee to be assessed to the tenant.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and municipal taxes. Nothing contained within the rules of the Public Service Commission shall be deemed to require any agents or employees of the Public Service Districts to accept payment at the customer's premises in lieu of discontinuing service for a delinquent bill. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided*, That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two of this code, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the Department of Environmental Protection, as prescribed by section eleven of said article, is exempt from the provisions of this section.

(h) A public service district which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community shall prepare an annual report detailing the collection and expenditure of rates, fees or charges and

make it available for public review at the place of business of the governing body and the stormwater utility main office.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003; Acts 2008, c. 202, eff. March 8, 2008; Acts 2010, c. 201, eff. June 11, 2010.

§ 16–13A–15. Bonds may be secured by trust indenture

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

ARTICLE 13D

REGIONAL WATER AND WASTEWATER AUTHORITY ACT

§ 16–13D–11. Bonds may be secured by trust indenture

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

ARTICLE 13E

COMMUNITY ENHANCEMENT ACT

Section		Section	
16–13E–2.	Definitions.	16–13E–10a.	Extension of vesting period for land development plans and plats; approval of phases.
16–13E–4.	Petition for creation or expansion of community enhancement district; petition requirements.		

§ 16–13E–2. Definitions

For purposes of this article:

(a) "Assessment bonds" means special obligation bonds or notes issued by a community enhancement district which are payable from the proceeds of assessments.

(b) "Assessment" means the fee, including interest, paid by the owner of real property located within a community enhancement district to pay for the cost of a project or projects constructed upon or benefitting or protecting such property and administrative expenses related thereto, which fee is in addition to all taxes and other fees levied on the property.

(c) "Board" means a Community Enhancement Board created pursuant to this article.

(d) "Community enhancement district" or "district" means a community enhancement district created pursuant to this article.

(e) "Cost" means the cost of:

(1) Construction, reconstruction, renovation and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, easements and interests acquired or to be acquired by the district;

(2) All machinery and equipment, including machinery and equipment needed to expand or enhance county or city services to the district;

(3) Financing charges and interest prior to and during construction and, if deemed advisable by the district or governing body, for a limited period after completion of the construction;

(4) Interest and reserves for principal and interest, including costs of municipal bond insurance and any other type of financial guaranty;

SWEEP RESOLUTION

WHEREAS, Shady Springs Public Service District (the "Issuer") is a public service district, public corporation, and political subdivision of the State of West Virginia;

WHEREAS, the Issuer is obligated to make payments on bonds issued by Issuer, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

WHEREAS, the Issuer makes or will make monthly debt service payments on and transfers reserve funds for the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

WHEREAS, the MBC may accept such monthly payments by electronic funds transfer, thereby eliminating delay in payments and lost checks;

WHEREAS, the Issuer finds and determines that it is in the best interest of the Issuer, its customers and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic funds transfer with the State Treasurer sweeping the Issuer's account.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1) The monthly debt service payments on the Bonds, as set forth in Exhibit A, shall be made to the MBC by an electronic transfer by the State Treasurer from the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.

2) The Chairman, Secretary and General Manager are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.

3) This resolution shall be effective immediately upon adoption.

Adopted this 25th day of October, 2010.

James Wood

(Authorized Officer)