

VALLEY FALLS PUBLIC SERVICE DISTRICT

**WATER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

DATE OF CLOSING: JANUARY 12, 2007

BOND TRANSCRIPT

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VALLEY FALLS PUBLIC SERVICE DISTRICT

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

BOND TRANSCRIPT

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VALLEY FALLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

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VALLEY FALLS PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF VALLEY FALLS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$4,878,315 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF VALLEY FALLS PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed improvements and extensions to the existing public waterworks system of the Issuer, consisting of a water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner, Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a 235,000-gallon Ridge storage tank, together with all related appurtenant facilities (the "Project") (the existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) in the total aggregate principal amount of \$4,878,315 (the "Series 2007 A Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2007 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Series 2007 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"), in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There is an outstanding obligation of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, which obligation is Water Refunding Revenue Bonds, Series 2006 A (J.P. Morgan Chase Bank, N.A.), dated November 22, 2006, issued in the original aggregate principal amount of \$322,000 (the "Series 2006 A Bonds" or the "Prior Bonds").

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

H. 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 costs of operation and maintenance of the System and the principal of and interest, if any, on the Series 2007 A Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2007 A 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 a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2007 A Bonds or such final order will not be subject to appeal or rehearing.

J. 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 West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by 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 of such Series 2007 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2007 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2007 A Bonds, the Prior 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.

"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 2007 A Bonds for all or a portion of the proceeds of the Series 2007 A Bonds from the Authority.

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

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

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

"Costs" or "Costs of the Project" means those costs described in Section 1.02D 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.

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

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

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

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

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally

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

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

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

"Investment Property" means:

- (A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),
- (B) any obligation,
- (C) any annuity contract,
- (D) any investment-type property, or
- (E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

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

"Issuer" means Valley Falls Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Marion County, West Virginia.

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

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2007 A Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating 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 monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds 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 2007 A Bonds in the Supplemental Resolution.

"Prior Bonds" mean, the Series 2006 A Bonds.

"Prior Resolutions" means, collectively, the resolutions adopted by Valley Falls Public Service District, authorizing the Prior Bonds and hereby assumed by the Issuer.

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

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

"Repair and Replacement Fund" means the Repair and Replacement Fund continued by Section 5.01 hereof.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2007 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts of the Series 2007 A Bonds and the Prior Bonds.

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

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

"Series 2006 A Bonds" means the Water Refunding Revenue Bonds, Series 2006 A (J.P. Morgan Chase Bank, N.A.), of the Issuer as described in Section 1.02G hereof.

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

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

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account established in the Series 2007 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

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

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

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2007 A Bonds and the Prior Bonds.

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

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

"System" means the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks systems from any sources whatsoever.

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION
OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project.

There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of \$4,878,315, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2007 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Authority and the Council.

The cost of the project is estimated not to exceed \$5,053,000.08 of which not more than \$4,878,315 will be obtained from the proceeds of the Series 2007 A Bonds. The Project also has a \$174,685.08 contribution from the Issuer.

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 and paying certain costs of issuance of the Series 2007 A 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 2007 A Bonds of the Issuer. The Series 2007 A Bonds shall be issued as a single bond, designated as "Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)," in the principal amount of \$4,878,315, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2007 A Bonds remaining after funding of the Series 2007 A Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 2007 A Bonds, if any, shall be deposited in or credited to the Series 2007 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2007 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2007 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2007 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2007 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2007 A Bonds. The Series 2007 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall have such terms as set forth in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2007 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2007 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. The Bond Registrar for the Series 2007 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2007 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2007 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2007 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2007 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2007 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2007 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2007 A Bonds or transferring the registered Series 2007 A Bonds are exercised, all Series 2007 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2007 A Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2007 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2007 A Bonds or, in the case of any proposed redemption of Series 2007 A Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2007 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2007 A Bonds shall ever have the right to

compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 2007 A Bonds shall be secured 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, if any, on and other payments for the Series 2007 A Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

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

- A. If other than the Authority, a list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2007 A Bonds to the original purchasers;
- C. An executed and certified copy of the Bond Legislation;
- D. An executed copy of the Loan Agreement; and
- E. The unqualified approving opinion of bond counsel on the Series 2007 A Bonds.

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

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

No. AR-1

\$4,878,315

KNOW ALL MEN BY THESE PRESENTS: That VALLEY FALLS PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of FOUR MILLION EIGHT HUNDRED SEVENTY EIGHT THOUSAND THREE HUNDRED FIFTEEN THOUSAND DOLLARS (\$4,878,315), 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, 2008, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated January 12, 2007.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and

a Bond Resolution duly adopted by the Issuer on January 5, 2007, and a Supplemental Resolution duly adopted by the Issuer on January 5, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE WATER REVENUE BONDS, SERIES 2006 A (J.P. MORGAN CHASE BANK, N.A.), DATED NOVEMBER 22, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$322,000 (THE "SERIES 2006 A BONDS" OR THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute 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 monies in the Series 2007 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, 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 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

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

IN WITNESS WHEREOF, VALLEY FALLS 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 _____, 2007.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: _____, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

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

Dated: _____, 2007.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2007 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Renewal and Replacement Fund (established by the Prior Resolutions); and
- (3) Series 2007 A Bonds Construction Trust Fund.

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

- (1) Series 2007 A Bonds Sinking Fund; and
- (2) Series 2007 A Bonds Reserve Account.

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

- (1) The Issuer shall first, each month, pay from the Revenue Fund the current Operating Expenses of the System.
- (2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Paying Agent, the amounts required to pay interest of the Prior Bonds, as required by the Prior Resolutions; and (ii) simultaneously remit to the Commission, commencing 3 months prior to the first date of payment of interest of the Series 2007 A

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

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

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Depository Bank, the amounts required by the Prior Resolutions for deposit in the respective Reserve Accounts for the Prior Bonds; and (ii) simultaneously remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement, until the amount in the Series 2007 A Bonds Reserve Account equals the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein,

and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, the amounts required by the Prior Resolutions and a sum equal to 2 ½ % 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 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 monies from the Renewal and Replacement Fund.

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

All investment earnings on monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account, shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2007 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2007 A Bonds, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2007 A Bonds Reserve Account which result in a reduction in the balance therein 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 2007 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds

sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2007 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2007 A Bonds and the Prior 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 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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

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

B. 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 2007 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. 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 along with a copy of its payment check to the Authority by the 5th day of such calendar month.

D. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and

there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2007 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

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

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

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2007 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2007 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2007 A Bonds.

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

The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project shall be made monthly.

Section 6.02. Except as provided in Section 6.01 hereof, disbursements from the Series 2007 A Bonds Construction Trust Fund shall be made only after submission to and approval from the Council, of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

(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.

The Issuer shall expend all proceeds of the Series 2007 A Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

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

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2007 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2007 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2007 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest, if any, thereon.

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

Section 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 Final Order of the Public Service Commission of West Virginia dated September 12, 2005, and Commission Order dated January 10, 2007, in Case No. 05-0633-PWD-CN, and such rates are hereby adopted.

So long as the Series 2007 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take

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

Section 7.05. Sale of the System. So long as the Series 2007 A Bonds and the Prior Bonds are outstanding and except as otherwise required by law or with the written consent of the Council, the Authority and the holders of the Prior Bonds, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2007 A Bonds, immediately be remitted to the Commission for deposit in the Series 2007 A Bonds Sinking Fund and applied to the payment of principal of and interest, if any, on the Series 2007 A Bonds. Any balance remaining after the payment of the Series 2007 A Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, 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, 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 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 amount required to be paid into said fund by other provisions of this Bond Legislation. No

sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2007 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2007 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2007 A 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 2007 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2007 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

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

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

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

- (1) The Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien

on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

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

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

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

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

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

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

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 2007 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2007 A Bonds, requesting the same, an annual report containing the following:

- (A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.
- (B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.
- (C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2007 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2007 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. So long as the Prior Bonds are outstanding, the Issuer will maintain rates as required in the Prior Resolutions. Prior to the issuance of the Series 2007 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit in the Series 2007 A Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 2007 A 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 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased

expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority 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 Authority and the Council and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

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

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

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

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

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

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

Section 7.14. No Free Services. 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 and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

- (1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and

hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

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

security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

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

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

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

The Issuer has obtained 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 and the Council necessary for the acquisition and construction of the Project, the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2007 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2007 A Bonds during the term thereof is, under the terms of the Series 2007 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2007 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the

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

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

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

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

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

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2007 A Bonds and shall be on a parity with the Prior Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement

and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

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

Section 7.21. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2007 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

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

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, 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 2007 A Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2007 A Bonds as a condition to issuance of the Series 2007 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 2007 A Bonds as may be necessary in order to maintain the status of the Series 2007 A Bonds as public purpose 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 2007 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 Council, from which the proceeds of the Series 2007 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2007 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 2007 A Bonds:

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2007 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2007 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond;

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

(4) If default occurs under 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 or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2007 A Bonds shall be on a parity with the Holders of the Prior Bonds.

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

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might 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 the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2007 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2007 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

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

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

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

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

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

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

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Valley Falls Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 2007 A Bonds to be issued;

(b) The maximum interest rate and terms of the Series 2007 A Bonds authorized hereby;

(c) The public service properties to be acquired or constructed and the cost of the same;

(d) The maximum anticipated rates which will be charged by the Issuer; and

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

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

Adopted this 5th day of January, 2007.

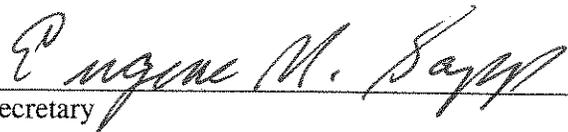

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of VALLEY FALLS PUBLIC SERVICE DISTRICT on the 5th day of January, 2007.

Dated: January 12, 2007.

[SEAL]


Secretary

12/18/06
928790.00004

EXHIBIT A

Loan Agreement included in bond transcript as Documents 3.

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF VALLEY FALLS PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Valley Falls Public Service District (the "Issuer") has duly and officially adopted a bond resolution on January 5, 2007 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF VALLEY FALLS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$4,878,315 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH

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

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer (the "Bonds"), in the aggregate principal amount not to exceed \$4,878,315 and has authorized the execution and delivery of the loan agreement relating to the Series 2007 A Bonds, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provisions, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

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

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

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$4,878,315. The Series 2007 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2040, and shall bear no interest. The principal of the Series 2007 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2008, and maturing June 1, 2040, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2007 A Bonds. The Series 2007 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2007 A Bonds.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application 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 does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint and designate WesBanco Bank, Inc., Fairmont, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2007 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2007 A Bonds Sinking Fund, as capitalized interest. Series 2007 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2007 A Bonds Reserve Account.

Section 8. The balance of the proceeds of the Series 2007 A Bonds shall be deposited in or credited to the Series 2007 A Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 9. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about January 12, 2007, to the Authority pursuant to the Loan Agreement.

Section 10. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 11. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 12. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairman is hereby authorized and directed to execute and deliver all such contracts.

Section 13. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 5th day of January, 2007.

VALLEY FALLS PUBLIC SERVICE DISTRICT

By: James T. Davis
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Valley Falls Public Service District on the 5th day of January, 2007.

Dated: January 12, 2007.

[SEAL]


Secretary

12/18/06
928790.00004

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council"), and the governmental agency designated below (the "Governmental Agency").

VALLEY FALLS PUBLIC SERVICE DISTRICT

(Governmental Agency)

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together,

as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by the Act and having available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with money in the Infrastructure Fund, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "Council," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.5 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

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

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

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

1.9 "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.

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.12 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The Project and the System

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

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

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

2.4 The Governmental Agency agrees that the Authority and the Council and their duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and the Council and their duly authorized agents and representatives 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 the Council with respect to the System pursuant to the pertinent provisions of the Act.

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

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

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

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

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

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

2.10 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the 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 C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

(c) The Governmental Agency shall either have received bids or entered 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 construction financing, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and the Council shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit A;

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the 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 the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

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

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

(h) 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 the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as

possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

(a) That the gross revenues of the System shall always be used for purposes of the System. Such gross revenues shall 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 (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) 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 Governmental Agency 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 gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and 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 Governmental Agency shall complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or with the written consent of the 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 pay fully all the Local Bonds

outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

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

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

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

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal 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;

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, 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 Governmental Agency's

revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

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

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

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

(xvii) That the Governmental Agency 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 Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D 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 Governmental Agency 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 Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, 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 the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xxi) That the Governmental Agency 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 Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

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

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

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

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System 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 Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (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 Loan Agreement.

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby warrants and represents that all information provided to the Authority and the Council 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 the Council 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 the Council by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Act or this Loan Agreement.

6.2 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.4 The Governmental Agency hereby agrees to give the Authority and the Council 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.

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency, if any, may be set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

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

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

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

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

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

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

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

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

7.10 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Council if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority and the Council pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

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

VALLEY FALLS PUBLIC SERVICE DISTRICT

(SEAL)

Attest:

Ernest M. Sayap
Its: Secretary

By: *James H. Jones*
Its: Chairman
Date: January 12, 2007

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

Attest:

Barbara B Meadows
Its: Secretary-Treasurer

By: *Denise B. Lyndberg*
Its: Director
Date: January 12, 2007

{C1154869.1}

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, hereby certify 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 meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), 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 [DEP/BPH/PSC] and any change orders approved by the Issuer, the Council 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 the Schedule B attached hereto as Exhibit A and my firm¹ has ascertained that all

¹If 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 _____,

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/BPH/PSC] 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, ²the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Loan 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 set forth in the Schedule B attached hereto and approved by the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" for the Project.

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

[SEAL]

By: _____
West Virginia License No. _____

Esq.] and delete "my firm has ascertained that".

²If 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).

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

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

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of \$_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the "Schedule Y" attached to the Loan 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 Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan 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 Loan Agreement.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency, enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and the Council and cannot be amended so as to affect adversely the rights of the Authority or the Council or diminish the obligations of the Governmental Agency without the consent of the Authority and the Council.
3. The Governmental Agency 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 Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency 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 Loan Agreement.
5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, 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,

EXHIBIT C

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
 Name of Bond Issue(s) _____
 Type of Project _____ Water _____ Wastewater _____
 Fiscal Year _____ Report Month _____

<u>Item</u>	<u>Current Month</u>	<u>Total Year To Date</u>	<u>Budget Year To Date</u>	<u>Budget Year To Date Minus Total Year To Date</u>
1. Gross Revenues	_____	_____	_____	_____
2. Operating Expenses	_____	_____	_____	_____
3. Bond Payments:				
<u>Type of Issue</u>				
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

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency 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 Governmental Agency 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 Governmental Agency.

The Governmental Agency 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.

EXHIBIT D

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 Governmental Agency] on [Date].

Sinking Fund:

Interest \$

Principal \$

Total: \$

Reserve Account: \$

Witness my signature this ____ day of _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$4,878,315
Purchase Price of Local Bonds \$4,878,315

The Local Bonds shall bear no interest. Commencing September 1, 2008, principal on the Local Bonds is payable quarterly. 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 Governmental Agency shall submit its payments monthly to the Commission which will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

The Local Bonds are fully registered in the name of the Authority as to interest, if any, and principal and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Governmental Agency's system as provided in the Local Act.

The Governmental Agency may prepay the Local Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency 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 Governmental Agency:

Valley Falls Public Service District Water Refunding Revenue Bonds, Series 2006 A (J.P. Morgan Chase Bank, N.A.), dated November 22, 2006, issued in the original principal amount of \$322,000.

SCHEDULE Y

\$4,878,315

Valley Falls Public Service District

0% Interest Rate; 32 Years

Closing Date: January 12, 2007

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
03/01/2007	-	-	-
06/01/2007	-	-	-
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	-	-	-
09/01/2008	38,112.00	-	38,112.00
12/01/2008	38,112.00	-	38,112.00
03/01/2009	38,112.00	-	38,112.00
06/01/2009	38,112.00	-	38,112.00
09/01/2009	38,112.00	-	38,112.00
12/01/2009	38,112.00	-	38,112.00
03/01/2010	38,112.00	-	38,112.00
06/01/2010	38,112.00	-	38,112.00
09/01/2010	38,112.00	-	38,112.00
12/01/2010	38,112.00	-	38,112.00
03/01/2011	38,112.00	-	38,112.00
06/01/2011	38,112.00	-	38,112.00
09/01/2011	38,112.00	-	38,112.00
12/01/2011	38,112.00	-	38,112.00
03/01/2012	38,112.00	-	38,112.00
06/01/2012	38,112.00	-	38,112.00
09/01/2012	38,112.00	-	38,112.00
12/01/2012	38,112.00	-	38,112.00
03/01/2013	38,112.00	-	38,112.00
06/01/2013	38,112.00	-	38,112.00
09/01/2013	38,112.00	-	38,112.00
12/01/2013	38,112.00	-	38,112.00
03/01/2014	38,112.00	-	38,112.00
06/01/2014	38,112.00	-	38,112.00
09/01/2014	38,112.00	-	38,112.00
12/01/2014	38,112.00	-	38,112.00
03/01/2015	38,112.00	-	38,112.00
06/01/2015	38,112.00	-	38,112.00
09/01/2015	38,112.00	-	38,112.00
12/01/2015	38,112.00	-	38,112.00
03/01/2016	38,112.00	-	38,112.00
06/01/2016	38,112.00	-	38,112.00
09/01/2016	38,112.00	-	38,112.00
12/01/2016	38,112.00	-	38,112.00
03/01/2017	38,112.00	-	38,112.00
06/01/2017	38,112.00	-	38,112.00
09/01/2017	38,112.00	-	38,112.00
12/01/2017	38,112.00	-	38,112.00

\$4,878,315

Valley Falls Public Service District
0% Interest Rate; 32 Years
Closing Date: January 12, 2007

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
03/01/2018	38,112.00	-	38,112.00
06/01/2018	38,112.00	-	38,112.00
09/01/2018	38,112.00	-	38,112.00
12/01/2018	38,112.00	-	38,112.00
03/01/2019	38,112.00	-	38,112.00
06/01/2019	38,112.00	-	38,112.00
09/01/2019	38,112.00	-	38,112.00
12/01/2019	38,112.00	-	38,112.00
03/01/2020	38,112.00	-	38,112.00
06/01/2020	38,112.00	-	38,112.00
09/01/2020	38,112.00	-	38,112.00
12/01/2020	38,112.00	-	38,112.00
03/01/2021	38,112.00	-	38,112.00
06/01/2021	38,112.00	-	38,112.00
09/01/2021	38,112.00	-	38,112.00
12/01/2021	38,112.00	-	38,112.00
03/01/2022	38,112.00	-	38,112.00
06/01/2022	38,112.00	-	38,112.00
09/01/2022	38,112.00	-	38,112.00
12/01/2022	38,112.00	-	38,112.00
03/01/2023	38,112.00	-	38,112.00
06/01/2023	38,112.00	-	38,112.00
09/01/2023	38,112.00	-	38,112.00
12/01/2023	38,112.00	-	38,112.00
03/01/2024	38,112.00	-	38,112.00
06/01/2024	38,112.00	-	38,112.00
09/01/2024	38,112.00	-	38,112.00
12/01/2024	38,112.00	-	38,112.00
03/01/2025	38,112.00	-	38,112.00
06/01/2025	38,112.00	-	38,112.00
09/01/2025	38,112.00	-	38,112.00
12/01/2025	38,112.00	-	38,112.00
03/01/2026	38,112.00	-	38,112.00
06/01/2026	38,112.00	-	38,112.00
09/01/2026	38,112.00	-	38,112.00
12/01/2026	38,112.00	-	38,112.00
03/01/2027	38,112.00	-	38,112.00
06/01/2027	38,112.00	-	38,112.00
09/01/2027	38,112.00	-	38,112.00
12/01/2027	38,112.00	-	38,112.00
03/01/2028	38,112.00	-	38,112.00
06/01/2028	38,112.00	-	38,112.00
09/01/2028	38,112.00	-	38,112.00
12/01/2028	38,112.00	-	38,112.00

\$4,878,315

Valley Falls Public Service District
0% Interest Rate; 32 Years
Closing Date: January 12, 2007

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
03/01/2029	38,112.00	-	38,112.00
06/01/2029	38,112.00	-	38,112.00
09/01/2029	38,112.00	-	38,112.00
12/01/2029	38,112.00	-	38,112.00
03/01/2030	38,112.00	-	38,112.00
06/01/2030	38,112.00	-	38,112.00
09/01/2030	38,112.00	-	38,112.00
12/01/2030	38,112.00	-	38,112.00
03/01/2031	38,112.00	-	38,112.00
06/01/2031	38,112.00	-	38,112.00
09/01/2031	38,112.00	-	38,112.00
12/01/2031	38,112.00	-	38,112.00
03/01/2032	38,112.00	-	38,112.00
06/01/2032	38,112.00	-	38,112.00
09/01/2032	38,112.00	-	38,112.00
12/01/2032	38,112.00	-	38,112.00
03/01/2033	38,112.00	-	38,112.00
06/01/2033	38,112.00	-	38,112.00
09/01/2033	38,112.00	-	38,112.00
12/01/2033	38,112.00	-	38,112.00
03/01/2034	38,112.00	-	38,112.00
06/01/2034	38,112.00	-	38,112.00
09/01/2034	38,112.00	-	38,112.00
12/01/2034	38,112.00	-	38,112.00
03/01/2035	38,112.00	-	38,112.00
06/01/2035	38,111.00	-	38,111.00
09/01/2035	38,111.00	-	38,111.00
12/01/2035	38,111.00	-	38,111.00
03/01/2036	38,111.00	-	38,111.00
06/01/2036	38,111.00	-	38,111.00
09/01/2036	38,111.00	-	38,111.00
12/01/2036	38,111.00	-	38,111.00
03/01/2037	38,111.00	-	38,111.00
06/01/2037	38,111.00	-	38,111.00
09/01/2037	38,111.00	-	38,111.00
12/01/2037	38,111.00	-	38,111.00
03/01/2038	38,111.00	-	38,111.00
06/01/2038	38,111.00	-	38,111.00
09/01/2038	38,111.00	-	38,111.00
12/01/2038	38,111.00	-	38,111.00
03/01/2039	38,111.00	-	38,111.00
06/01/2039	38,111.00	-	38,111.00
09/01/2039	38,111.00	-	38,111.00

\$4,878,315

Valley Falls Public Service District

0% Interest Rate; 32 Years

Closing Date: January 12, 2007

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
12/01/2039	38,111.00	-	38,111.00
03/01/2040	38,111.00	-	38,111.00
06/01/2040	38,111.00	-	38,111.00
Total	\$4,878,315.00	-	\$4,878,315.00

Yield Statistics

Bond Year Dollars	\$85,465.09
Average Life	17.519 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	9.20E-10
Bond Yield for Arbitrage Purposes	9.20E-10
All Inclusive Cost (AIC)	9.20E-10

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	17.519 Years

SCHEDULE Z

None.

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 10th day of January, 2007.

CASE NO. 05-0633-PWD-CN

VALLEY FALLS PUBLIC SERVICE DISTRICT
a public utility, Fairmont, Marion County.

Application for a certificate of convenience and necessity to construct certain additions and improvements to its existing water distribution system and for approval of the financing thereof, and for approval of a revised Water Purchase Contract with the City of Fairmont.

COMMISSION ORDER

By this Order, the Commission approves the Valley Falls Public Service District's (District's) request for approval of increased project costs; additional loan financing; and an associated rate increase.

Background

By Recommended Decision issued August 23, 2005, which became a final order of the Commission on September 12, 2005, the Commission granted the District a certificate of convenience and necessity to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a 235,000-gallon Ridge storage tank; and appurtenances relating thereto. The Commission further approved the financing of the project, consisting of a WVIJDC loan in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest. The order also approved revisions to the water purchase contract by and between the District and the City of Fairmont, and increased rates and charges of approximately 27%.

On September 12, 2006, the District filed a petition to reopen this proceeding. The District stated that bids for the project were in excess of the loan amount. The District now estimates the cost of construction to be approximately \$4,878,315. To meet the funding shortfall, the District obtained a commitment for additional loan funds from WVIJDS in the amount of \$957,615. Bids were to expire on November 8, 2006. To meet the new debt service amounts, the District requested a larger rate increase.

Additionally, the District stated that Chase Bank offered it an opportunity to refinance its current GMAC loan bearing a 5% interest rate and maturing in 2017, on identical terms. The refinancing would allow the District to avoid obtaining GMAC's consent to the increased WVIJDC loan, which is difficult and expensive to accomplish. The GMAC/Chase Bank refinancing would have no rate impact.

The District attached a Notice of Reopening to its petition. The District stated that it required a Commission Order approving this petition no later than October 25, 2006.

On September 15, 2006, District's counsel filed a letter enclosing an Affidavit representing that the District mailed the Notice of Reopening to each of its customers on September 15, 2006.

On September 25, 2006, the District filed an Affidavit of Publication evidencing that the Notice of Reopening was published in the *Times West Virginian* of Marion County, on September 18, 2006.

On October 6, 2006, the District filed a copy of its commitment letter from the WVIJDC to loan the additional \$957,615 to the District, bringing the total WVIJDC funding for the project to \$4,873,315.

Also on October 6, 2006, the District filed a motion to approve the refinancing of the GMAC loan. In this motion, the District noted that refinancing of the GMAC loan by Chase Bank will have no rate impact and that Chase Bank's refinancing proposal expires on October 31, 2006. The District also acknowledged that a number of protests have been filed in response to the Notice of Reopening, and that a hearing may be necessary with respect to the certificate project financing.

On October 17, 2006, Commission Staff filed an Initial Joint Staff Memorandum opining that a hearing would be required due to the number of written protests received. Accordingly, the Commission would not be able to issue a final order by the requested October 25, 2006, date. Staff recommended that the District seek a 60-day extension of all construction bids for the project. Staff recommended that the Commission approve the refinancing of the GMAC loan.

By Order issued October 25, 2006, the Commission approved the District's refinancing of the GMAC loan, referred the reopened certificate case to the Division of

Administrative Law Judges to conduct a hearing, and retained the matter for decision following the hearing.

By Order issued October 27, 2006, the ALJ scheduled a hearing to take place on November 14, 2006, in Fairmont, West Virginia, and required the District to publish proper notice on or before November 3, 2006.

On November 13, 2006, the District filed written confirmations from three contractors agreeing to extend bids by 65 days, or until January 12, 2007.

Also on November 13, 2006, the District filed an affidavit of publication evidencing publication of the required hearing notice in the *Times West Virginian* on November 2, 2006.

Several (12) protest letters were filed in response to the various notices published in this case.

The ALJ conducted the public hearing on November 14, 2006. Two (2) persons appeared to state their objections to a further rate increase for the District. A transcript of the hearing was filed at the Commission by the court reporter on November 27, 2006.

On November 14, 2006, Staff filed its Final Joint Staff Memorandum. Staff explained that the project costs have increased 24% since original Commission approval, primarily due to a 33% increase in construction costs, but also due to an engineering fee increase of 50%. As a result, the District is seeking an additional 7.1% rate increase, over the 27.83% increase previously approved. Staff stated that neither the project scope nor the number of customers to be served has changed. The project will improve service to customers and eliminate low pressure issues on the system. In the future, the District will be able to serve new, higher-elevation customers. Staff regards the project as necessary and convenient, and as of great long-term benefit to customers.

Staff stated that the consequences to not completing the project would include steadily worsening pressure problems, shortages of water, and ultimately, a loss of service within portions of the distribution system.

Staff outlined the reasons this project was delayed since original approval, and discussed how this project came to be severely over budget. Staff opined that the project costs were 2 years old at the time this case was approved in 2005. Further, the costs were likely underestimated from the beginning due to fierce competition for public financing, and the desire to keep estimated costs within available funding limits.

Staff expressed concern regarding the engineering firm's proposal for an approximate 50% fee increase. No information was provided to support such a large

increase. Staff stated that the large increase is not typical, and that the District should demand justification.

The impact of approval on customers will be an average bill of \$36.03, based on 4,500 gallons of usage per month, and a minimum bill of \$24.63 per month. The average bill will increase \$2.40 over the rates that were previously approved. Upon completion of the project, customer rates will rise 36% over current rates.

By Order issued December 13, 2006, the Commission required the District to file, on or before December 27, 2006, an explanation from its engineer justifying the approximate 50% increase in engineering fees and a copy of its engineering agreement.

On December 21, 2006, the District filed a justification statement from its engineering firm, Burgess and Niple, and a copy of the agreement.

On January 9, 2007, Staff filed a Further Final Joint Staff Memorandum. Staff advised that engineering and associated professional service fees comprise 13.5% of total project costs, and 16.9% of construction costs. Staff regards these percentages as relatively high for a project of this size and complexity, but not as excessive. Staff confirmed that the charges are consistent with the terms of the engineering contract and the amendments thereto. Thus, while Staff has no technical basis on which to challenge the level of fees, Staff is of the opinion that the District should more thoroughly review its professional service agreements and amendments, especially with regard to what services are included, or not included, by terms such as "basic fees."

Notwithstanding the level of engineering fees, Staff stated that it continues to support approval of the project.

DISCUSSION

Upon consideration of all of the above, the Commission continues to find that the project is necessary for the District and its customers. Completion of the project will avoid certain pressure problems, water shortages, and ultimate loss of service within portions of the District's distribution system. Therefore, the public convenience and necessity require that the project proceed. Accordingly, the Commission will approve the revised project costs, funding, and associated rate increase.

The Commission agrees with Staff that in order to best serve its customers, the District should thoroughly review all professional service contracts and amendments prior to entering into such agreements, to ensure a full understanding of the services covered by the fees set forth, as well as those services which, if requested or required, will incur additional fees.

FINDINGS OF FACT

1. By Order issued October 25, 2006, the Commission reopened this case, approved the District's refinancing of a GMAC loan, referred the reopened certificate case to the Division of Administrative Law Judges to conduct a hearing, and retained the matter for decision following the hearing.

2. By Order issued October 27, 2006, the ALJ scheduled a hearing to take place on November 14, 2006, in Fairmont, West Virginia, and required the District to publish proper notice on or before November 3, 2006.

3. On November 13, 2006, the District filed written confirmations from three contractors agreeing to extend bids by 65 days, or until January 12, 2007.

4. Also on November 13, 2006, the District filed an affidavit of publication evidencing publication of the required hearing notice in the *Times West Virginian* on November 2, 2006.

5. Several (12) protest letters have been filed in response to the various notices published in this case.

6. The ALJ conducted the public hearing on November 14, 2006. Two (2) persons appeared to state their objections to a further rate increase for the District. A transcript of the hearing was filed at the Commission by the court reporter on November 27, 2006.

7. On November 14, 2006, Staff filed its Final Joint Staff Memorandum. Staff explained that the project costs have increased 24% since original Commission approval, primarily due to a 33% increase in construction costs, but also due to an engineering fee increase of 50%. As a result, the District is seeking an additional 7.1% rate increase, over the 27.83% increase previously approved.

8. Staff stated that neither the project scope nor the number of customers to be served has changed. The project will improve service to customers and eliminate low pressure issues on the system. In the future, the District will be able to serve new, higher-elevation customers. Staff regards the project as necessary and convenient, and of great long-term benefit to customers.

9. Staff stated that the consequences to not completing the project would include steadily worsening pressure problems, shortages of water, and ultimately, a loss of service within portions of the distribution system.

10. Staff outlined the reasons this project was delayed since original approval, and discussed how this project came to be severely over budget.

11. Staff expressed concern regarding the engineering firm's proposal for an approximate 50% fee increase. No information has been provided to support such a large increase. Staff stated that the large increase is not typical, and that the District should demand justification.

12. Staff calculated that approval of the reopened project will result in an average customer bill of \$36.03, based on 4,500 gallons of usage per month, and a minimum bill of \$24.63 per month. The average bill will increase \$2.40 over the rates that were previously approved. Upon completion of the project, customer rates will rise 36% over current rates.

13. By Order issued December 13, 2006, the Commission required the District to file, on or before December 27, 2006, an explanation from its engineer justifying the approximate 50% increase in engineering fees and a copy of its engineering agreement.

14. On December 21, 2006, the District filed a justification statement from its engineering firm, Burgess and Niple, and a copy of the agreement.

15. On January 9, 2007, Staff filed a Further Final Joint Staff Memorandum. Staff advised that engineering and associated professional service fees comprise 13.5% of total project costs, and 16.9% of construction costs.

16. Staff described the fees as relatively high for a project of this size and complexity, but not as excessive.

17. Staff confirmed that the charges are consistent with the terms of the engineering contract and the amendments thereto. Thus, Staff had no technical basis on which to challenge the level of fees.

18. Staff expressed an opinion that the District should more thoroughly review its professional service agreements and amendments, especially with regard to what services are included, or not included, by terms such as "basic fees."

19. Staff recommended Commission approval of the project revisions.

CONCLUSIONS OF LAW

1. The Commission continues to find that the project is required for the District and its customers. Completion of the project will avoid certain pressure problems, water shortages, and ultimate loss of service within portions of the District's distribution system. Therefore, the public convenience and necessity require that the project proceed.

2. The Commission will approve the revised project costs, funding, and associated rate increase.

3. In order to best serve its customers, the District should thoroughly review all professional service contracts and amendments prior to entering into such agreements, to ensure a full understanding of the services covered by the fees set forth, as well as those services which, if requested or required, will incur additional fees.

ORDER

IT IS THEREFORE ORDERED that revised project costs of \$4,878,315 are hereby approved for this certificated project.

IT IS FURTHER ORDERED that to meet the increased project costs, the District is authorized to borrow an additional \$957,615 from WVIJDS at 0% interest with a 32-year repayment term.

IT IS FURTHER ORDERED that an additional project related rate increase as reflected on the approved tariff attached hereto as Attachment A, is hereby approved, to take effect upon substantial completion of the project.

IT IS FURTHER ORDERED that the District shall submit a certificate of substantial completion of the project from its engineer as soon as it becomes available.

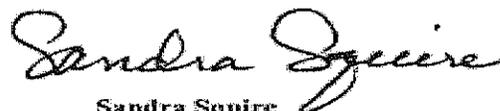
IT IS FURTHER ORDERED that the District file an original and at least five (5) copies of a revised tariff setting forth the rates and charges approved herein, within thirty (30) days from the date that the project is certified as completed.

IT IS FURTHER ORDERED that, if there are any further changes in the plans, scope or financing of the project, the District shall obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that upon entry hereof, this matter shall be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary shall serve a copy of this order on all parties of record by facsimile and First Class United States Mail, and upon Commission Staff by hand delivery.

A True Copy, Teste:


Sandra Squire
Executive Secretary

JML/ljm
050633cc.wpd

VALLEY FALLS PUBLIC SERVICE DISTRICT
Case No. 05-0633-PWD-CN
APPROVED TARIFF

(C) APPLICABILITY

Applicable within the entire territory served.

(C) AVAILABILITY

Available for general, domestic, commercial and industrial service.

(C,I) RATE (customers with metered water supply)

First	3,000 gallons used per month	\$8.21 per 1,000 gallons
Next	2,000 gallons used per month	\$7.60 per 1,000 gallons
Next	2,000 gallons used per month	\$7.08 per 1,000 gallons
Next	3,000 gallons used per month	\$6.56 per 1,000 gallons
All over	10,000 gallons used per month	\$5.29 per 1,000 gallons

(C,I) MINIMUM CHARGE

No bill will be rendered for less than the following based on meter size:

5/8 inch meter	\$ 24.63 per month
3/4 inch meter	\$ 36.95 per month
1 inch meter	\$ 61.58 per month
1 - 1/2 inch meter	\$123.15 per month
2 inch meter	\$197.04 per month
3 inch meter	\$369.45 per month
4 inch meter	\$615.75 per month
6 inch meter	\$1,231.50 per month

(C) 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.

(C,I) RECONNECTION \$25.00

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

(C,I) TAP FEE

The following charge is to be made whenever a utility installs a new tap to serve an applicant:

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.

(C) LEAK ADJUSTMENT INCREMENT

\$2.71 per M gallons. To be used when the bill reflects unusual consumption which can be attributed to eligible water leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

(C) Indicates change in text

(I) Indicates increase

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

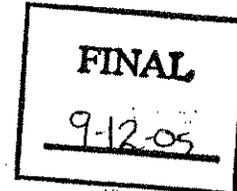
ENTERED**ORIGINAL**

Order Book 05-MM Entered: August 23, 2005

CASE NO. 05-0633-PWD-CN

VALLEY FALLS PUBLIC SERVICE DISTRICT,
a public utility, Fairmont,
Marion County.

Application for a certificate of convenience and necessity to construct certain additions and improvements to its existing water distribution system and for approval of the financing thereof, and for approval of a revised Water Purchase Contract with the City of Fairmont.

RECOMMENDED DECISION

On May 5, 2005, Valley Falls Public Service District (District) filed an application, duly verified, for a certificate of convenience and necessity¹ to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a new 235,000-gallon Ridge storage tank; and appurtenances relating thereto (the Project). The estimated cost of the Project is not to exceed \$3,920,700, and Project funding has been approved by the West Virginia Infrastructure and Jobs Development Council (WVIJDC), as evidenced by approval letters from the WVIJDC attached to the application as Exhibit D. The Project will be financed by a loan from the WVIJDC in the amount of \$3,920,700, at an interest rate of 0%, for a term of thirty-two (32) years, as reflected in a copy of the WVIJDC's January 7, 2005 commitment letter attached to the application as Exhibit E. The District proposed a 27.83% increase in rates to generate sufficient revenues to cover the increased debt service and operation and maintenance (O&M) expenses associated with the Project. A Rule 42 Exhibit for the year ended June 30, 2004, prepared by Gary K. Bennett, C.P.A., was attached to the certificate application as Exhibit F and a proposed Notice of Filing was attached to the application as Exhibit K.

¹Pursuant to West Virginia Code §24-2-11, the District had filed Form No. 13-Information of Pre-Filing, together with a Preliminary Engineering Report, on January 12, 2005.

The District purchases water from the City of Fairmont (City) pursuant to a Water Purchase Contract dated June 7, 1976 (Water Contract). The City's water plant provides complete treatment and meets all current drinking water standards and has ample capacity to supply the additional water required for the Project at issue herein. The term of the Water Contract ends in 2026 and, as a requirement of closing, the WVIJDC requires that the term of the Water Contract be extended to match the term of the WVIJDC's loan. The 1976 Water Contract was attached to the certificate application as Exhibit I. The District requested that a revised Water Purchase Contract by and between it and the City of Fairmont also be approved in this proceeding, although a revised contract was not included in the filing.

By Order dated May 6, 2005, the District was directed to provide notice of the filing of the application by publishing a copy of said Order once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia, making due return to the Commission of proper certification of publication immediately after publication. The Notice directed that anyone desiring to make objection to the certificate application had do so, in writing, within thirty (30) days after publication of said Notice. It was further provided that failure to timely protest or intervene could affect one's right to protest, including any associated rate increase, or to participate in future proceedings. The Notice also stated that the proposed rate increases, as set forth in the Notice, were based on averages of all customers in the indicated class. Individual customers might receive increases that are greater or less than average. Furthermore, the requested rates and charge were only proposals and were subject to change, increases or decreases, by the Public Service Commission in its review of the certificate application filed in this proceeding. The Notice further provided that, if no protests were received within the thirty-day period, the Commission could waive formal hearing and grant the certificate application, based upon the evidence submitted in the application and the Commission's review thereof.

On May 20, 2005, the District filed an affidavit of publication reflecting that, in compliance with the Commission's May 6, 2005 Order, the Notice of Filing was published on May 12, 2005, in the Times West Virginian, a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia.

On May 31, 2005, the District filed an affidavit executed by its General Manager setting forth that the District has no resale customers and that it had included notification of the proposed rate increase associated with the certificate application filed herein on its postcard billings which were mailed to each of the District's customers.

On June 8, 2005, Staff Attorney Lisa Wansley-Lane filed an Initial Joint Staff Memorandum, to which was attached an Initial Internal Memorandum, dated May 25, 2005, prepared by Nathan Nelson, Utilities Analyst I, Water and Wastewater Division, and Jonathan Fowler, P.E., Staff Engineer, Engineering Division. Commission Staff requested that the District provide the following information and/or documentation, to-wit:

- (1) A copy of the revised purchased water agreement; and
- (2) A detailed breakdown of estimated operation and maintenance expenses.

Upon receipt and review of the above information and/or documentation, Commission Staff stated that it would issue a final recommendation in a timely manner. In the interim, referral of this matter to the Division of Administrative Law Judges for further disposition was recommended.

Also on June 8, 2005, Ms. Wansley-Lane filed Commission Staff's First Set of Interrogatories, Data Requests or Requests for Information. The District was requested to provide the information and/or documentation specified in Staff's May 25, 2005 Initial Internal Memorandum within twenty (20) days following service upon it of the First Set of Interrogatories, Data Requests or Requests for Information.

On June 23, 2005, the District filed the information and documentation requested by Commission Staff in its May 25, 2005 Initial Internal Memorandum and June 8, 2005 First Set of Interrogatories, Data Requests or Requests for Information.

By Order dated June 24, 2005, the Commission referred this matter to the Division of Administrative Law Judges for further disposition, with a decision due date of on or before December 1, 2005.

On June 28, 2005, the District filed a copy of Permit No. 16,608, issued by the State of West Virginia Office of Environmental Health Services, Infrastructure and Capacity Development, Environmental Engineering Division, on June 23, 2005, granting the District approval to install approximately 37,241 linear feet of 8-inch, 12,784 linear feet of 6-inch, 36 linear feet of 4-inch, 55 linear feet of 3-inch and 135 linear feet of 2-inch water line; add two (2) pressure reducing stations; add one (1) 250,000-gallon and one (1) 235,000-gallon water storage tank; abandon three (3) booster stations; abandon five (5) 50,000-gallon water storage tanks; add telemetry; and all necessary valves, controls, meters and appurtenances. The permit recited that the facilities in question were being upgraded and modified to capitalize on the recent City of Fairmont water system improvements; address current operating problems; and meet future customer demands.

On August 2, 2005, Ms. Wansley-Lane filed a Final Joint Staff Memorandum, to which was attached a Final Internal Memorandum, dated July 27, 2005, prepared by Messrs. Nelson and Fowler. According to Commission Staff, the District provides water service to approximately 1,500 residential and small commercial customers in the southern Marion County communities of Colfax, Quiet Dell, Bunner Ridge, Hopewell and Rock Lake. The District purchases all of its water from the City and then distributes this water to its customers via an extensive distribution system, which includes approximately 68 miles of various sizes of water mains, eight (8) water storage tanks of various sizes and six (6) booster pumping stations. At the present time, the District has four connections with the City's water system and utilizes four separate master meters to supply its system. The District reported total water purchases of 97,289,000 gallons and an unaccounted water loss of approximately 26% in

the Annual Report filed with the Commission for the fiscal year ending June 2004. It was noted that this level of unaccounted water loss is well above the maximum allowable level of 15% established by the Commission.

The proposed project will provide for: (1) the construction of two (2) new water storage tanks (256,000 gallons and 234,000 gallons); (2) the construction of two new water booster pumping stations, including new tank-level telemetry and a pump control system; (3) the construction of approximately 50,250 feet of water mains, 2-inch through 8-inch diameter, including various main line valves, accessories and appurtenances; (4) the demolition and removal of three of the existing booster pumping stations; (5) the demolition and removal of four of the existing water storage tanks; (6) the construction of two new main line pressure regulating stations; (7) the reconstruction of one master meter vault; and (8) various interconnections and reconnections between new and existing mains, lines and services.

No new customers will be added as a result of this project. However, the overall level of service to nearly all of the District's customers will be improved as a result of this project. Further, by increasing the distribution system pressure in the higher elevation portions of the District's service area, the project will not only eliminate the periodic low pressure complaints from these areas, but will enable the District to serve new customers which may be presently located at an elevation too high to receive adequate service from the existing system.

The present total estimated cost of the proposed project is \$3,920,700, and the estimated construction cost is \$2,917,600. A summary of the estimated project costs is as follows, to-wit:

Construction	\$2,917,600
Technical Services (Engineering & Inspection)	469,800
Lands and Right-of-ways	76,900
Legal Fees	35,000
Administration	35,000
Contingencies	356,400
Cost of Financing (Bond Counsel Fees)	30,000
Total	\$3,920,700

Based upon projections provided by the consulting engineer, the net annual increase in actual system-related O&M expenses for the proposed improvements will amount to \$14,023, with the increase being attributable to pumping and transmission/distribution expenses. In addition, the District has projected an increase in certain administrative and customer accounts amounting to an additional \$13,549 per year. The total projected increase amounts to approximately 7% of the current O&M budget.

Technical Staff reviewed the calculations provided in support of the O&M increases and found them to be reasonably conservative. Staff would suggest that the actual increases in power consumption would be less than estimated by the consulting engineer, since the new equipment is sure to be more efficient than the existing, aged pumping systems and since the project adds no new customers, i.e., no increase in water demand.

Technical Staff pointed out that actual costs for pumping equipment maintenance should actually decrease, since the new pumping systems will be under warranty for the first year of operation. Nonetheless, in the interest of conservatism and in recognition of the varied other costs which a water system typically encounters in its annual operations, Technical Staff supported the approximate 7% increase in O&M costs projected by the District's engineer.

Technical Staff's review of the materials provided with the initial filing revealed that certain items remained to be submitted. These included copies of various permits and approvals including the following:

- (a) West Virginia Division of Environmental Protection (DEP) erosion and sedimentation control permit for the proposed construction;
- (b) Corps of Engineers Permit for stream crossings;
- (c) Public Land Permits for stream crossings;
- (d) Department of Highway Permits for entry upon rights-of-way and for any ingress/egress which may be necessary. (This Permit is not actually issued until the project construction is awarded); and
- (e) Other Permits or Approvals required for construction of the project. (SHPO, Endangered Species, Fish & Wildlife, Wetlands, etc).

In response to an informal data request made by Staff, the District has provided additional responses and/or furnished additional materials relating to the above listed items. Based upon such supplementary information furnished by the District's consulting engineer, Technical Staff was of the opinion that this filing was sufficiently complete to allow the case to proceed. However, Staff cautioned the District that, if the Commission issued a certificate in this proceeding, it in no way negated the District's need to obtain the necessary permits and approvals from other governmental and regulatory authorities.

The District proposes to finance this project through a loan from the WVIJDC in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest. The loan will require monthly payments of \$10,210, or \$122,522 annually. The District will also be required to maintain a 10% debt reserve account until an amount equal to one year's payments is on deposit. The District filed with its certificate application, as Exhibit E, a commitment letter from the WVIJDC for the project funding, detailing the terms and conditions of the loan.

The District has proposed a 27% increase in rates to generate sufficient revenues to cover the increased debt service and O&M expenses. The increased rates generate a minimum bill of \$23.13, based on 3,000 gallons usage. Because the District has now fulfilled its obligation on a 1966 GMAC Bond which required \$22,608 annually, the pro forma increase in debt service is \$99,914. The District estimates O&M expenses will increase \$27,617 to \$413,941 annually. The increased rates will generate

a pro forma surplus of \$11,286, and debt service coverage of 115%. A cash flow analysis for the fiscal year ending June 30, 2004, which detailed Staff's adjustments, was attached to Staff's Final Internal Memorandum as Attachment 1.

The District's proposed tariff contained increased charges to the tap fee and the reconnection charge. The proposed tariff has a reconnection charge of \$30, increased from \$15. Staff recommended a reconnect charge of \$25, which would fall within the Commission's range of reasonableness and is similar to reconnect charges imposed by other utilities. For the tap fee, the District proposed a tap fee increase of \$100, from \$200 to \$300. In response, Staff requested, and was provided with, the District's current costs for setting a tap, the date of the District's last rate case and the number of taps set over the last three (3) years. The requested information showed that the District has set an average of twenty-seven (27) taps per year over the last three (3) years at an average cost of \$780. Although the cost for setting a tap is embedded in rates, given the above-mentioned data, Staff was of the opinion the increased tap fee should be approved. Additionally, Staff recalculated the District's leak adjustment rate to \$2.71. This rate takes into account the District's costs for purchased water of \$174,472, when limiting unaccounted-for water to 20%, and power for pumping of \$21,466 and is divided by the total annual gallons sold of 72,320 M gallons. The District's proposed tariff also included a proposed \$15 returned check charge, which was not addressed by Commission Staff nor included in the Staff-recommended tariff. The inclusion in the District's tariff of a maximum \$25 returned check charge will be approved by the undersigned since West Virginia Code §61-3-39e, effective June 4, 2003, now allows the payee or holder of any dishonored check to impose such a fee. However, the District may not begin charging the increased returned check charge until after the provision of notice, as will be subsequently set forth herein.

As part of this certificate proceeding, the District has requested Commission approval of a revised water purchase contract with the City of Fairmont. The District purchases all of its water from the City pursuant to a water purchase contract dated June 7, 1976, which will expire in 2026. The revised agreement extends the term of the water purchase contract to match the term of the WVIJDC's loan, as required by the WVIJDC, and Commission Staff was of the opinion that the required revisions were fair and should be approved.

Based upon its review of the District's certificate application, supporting data and documents submitted therewith, Commission Staff recommended that:

1. The District be granted a certificate of convenience and necessity to construct the proposed water system improvements in the amount of \$3,920,700, as more fully described in its application;
2. The District be required to submit copies of all necessary permits and approvals for the project, as soon as they are received by the District, and construction should not proceed until all such permits, approvals, easements,

rights-of-way and necessary real property have been secured;

3. The project funding, which consists of a loan from the WVIJDC in the amount of \$3,920,700, at 0% interest, for a term of thirty-two (32) years, be approved;
4. The Staff-recommended tariff be approved;
5. The revised purchased water contract with the City of Fairmont be approved;
6. If there is any change in the plans, scope or financing for the project, the District should request a reopening of this case for adjustments and approval;
7. The District provide a certified copy of the bid tabulation(s) for all contracts as soon as they become available; and
8. The District submit a copy of the certificate of substantial completion issued for each construction contract associated with the subject project as soon as they become available.

Commission Legal Staff noted that, effective July 8, 2005, West Virginia Code §24-2-11(j) states that "[a] public utility which has received a certificate of public convenience and necessity from the commission and has been approved by the infrastructure and jobs development council, is not required to, and cannot be compelled to, reopen the proceeding if the cost of the project changes but the change does not effect the rates established for the project." However, according to Commission Legal Staff, this statutory change did "not impact public service districts who are required to obtain Commission approval prior to accepting loans and/or grants. See West Virginia Code §16-13A-25." Therefore, should the financing of the subject project change, the District will be required, as in the past, to seek and obtain Commission approval of the financing changes, irrespective of whether the scope or plans of the project change.

By letter from the Commission's Executive Secretary dated August 2, 2005, the District was furnished a copy of Staff's recommendation and afforded ten (10) days within which to respond thereto, in writing. As of the date of this Order, no response has been filed by the District.

DISCUSSION

The need for this project is evident since the consequences of not completing this project will lead to steadily worsening pressure problems, shortages of potable water and, ultimately, a loss of service within certain portions of the distribution system. The system-wide improvements proposed by the subject project will serve to alleviate customer service problems, enhance overall operation of the system, reduce unaccounted-for water losses and reduce long-term O&M costs and

will provide the initial step toward a planned, controlled program of distribution system enhancements. The initiation of a series of improvement projects is an efficient and cost-effective means of increasing system capacity and improving reliability while simultaneously minimizing the impact of increased rates. Accordingly, the certificate application filed herein will be approved. The financing for the proposed project, consisting of a loan from the WVIJDC in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest, will also be approved.

The revisions to the existing water purchase contract by and between the District and the City of Fairmont are necessary to comply with the requirements for obtaining the WVIJDC loan which will be used to finance the District's proposed improvement project and will also be approved as being reasonable and necessary. The Staff-recommended rates, which will provide a reasonable cash flow surplus, after O&M expenses and debt service requirements, will also be approved, effective upon the District's completion of the project. The Staff-recommended tariff revisions, to reflect the language in the Commission's most recent Tariff Rules, will also be approved; however, the District will have to publish the notice attached hereto as Appendix B, in accordance with the requirements hereinafter set forth, since notice of the increased returned check charge was never published.

FINDINGS OF FACT

1. Valley Falls Public Service District filed an application for a certificate of convenience and necessity to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a 235,000-gallon Ridge storage tank; and appurtenances relating thereto. The District proposed a 27.83% increase in rates to generate sufficient revenues to cover the increased debt service and O&M expenses associated with the project. (See, May 5, 2005 filing).

2. The estimated cost of the project is not to exceed \$3,920,700 and funding for the project consists of a confirmed loan from the WVIJDC in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest. (See, May 5, 2005 filing; Final Joint Staff Memorandum and attachment filed August 2, 2005).

3. The District purchases all of its water from the City of Fairmont pursuant to a water purchase contract dated June 7, 1976, which will expire in 2026. As part of this proceeding, the District has requested Commission approval of a revised water purchase contract with the City of Fairmont. The revised agreement extends the term of the water purchase contract to match the term of the WVIJDC's loan, as required by the WVIJDC. (See, May 5, 2005 filing; Response to First Set of Interrogatories filed June 23, 2005).

4. The District filed an affidavit of publication reflecting that the Notice of Filing of the application was published on May 12, 2005, in the Times West Virginian, a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia. (See, Affidavit of Publication filed May 20, 2005).

5. No protests or objections were filed to the District's certificate application within the thirty-day response period, which expired on June 13, 2005, or as of the date of this Order. (See, case file generally).

6. Several areas of the District's distribution system are experiencing low pressure problems at peak demand. Several sections of the District's distribution system have undersized lines or are overloaded. The project also would allow some limited expansion to unserved areas. (See, Final Joint Staff Memorandum and attachment filed August 2, 2005).

7. The District's proposed 27.83% increase in rates will increase annual revenues by \$127,363, from \$483,289 per year to \$610,652 per year. The District estimates annual O&M expenses will increase \$27,617, to \$413,941 per year. Annual debt service from the new loan will be \$122,522. The increased rates will produce an annual surplus of \$11,286, and a debt service coverage of 115%. (See, Final Joint Staff Memorandum and attachment filed August 2, 2005).

8. Commission Staff is of the opinion that the District's proposed project is necessary to reduce or alleviate potential system failures and provide the first step toward a planned, controlled program of distribution system enhancements and is financially feasible and should be approved, together with the Staff-recommended tariff, which incorporates the District's requested 27.83% rate increase, as well as the language in the Commission's most recent Tariff Rules. (See, Final Joint Staff Memorandum and attachment filed August 2, 2005).

9. The District did not file any objection to the Staff recommendations despite being given the opportunity to do so. (See, August 2, 2005 Executive Secretary's letter; case file generally).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the issuance of a certificate of convenience and necessity to Valley Falls Public Service District to construct certain additions and improvements to its existing waterworks distribution facilities, consisting of water main installation in Colfax, along Levels/Goose Creek Road and Otter Run, Bunner, Ridge and Pride Ridge Road; construction of a 180-gpm Goose Creek booster station; construction of a 150-gpm Otter Run booster station; installation of radio telemetry and SCADA system; construction of a 250,000-gallon East Grafton Road storage tank; construction of a 235,000-gallon Ridge storage tank; and appurtenances relating thereto.

2. It is reasonable to approve the financing of the project, which consists of a WVIJDC loan in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest.

3. It is reasonable to approve the revisions to the water purchase contract by and between the District and the City of Fairmont.

4. It is reasonable to approve the District's proposed rates and charges, as amended by Commission Staff and this Order, and as are more particularly set forth in Appendix A, attached hereto, to become effective for all services rendered by the District on or after the date the subject project is completed.

ORDER

IT IS, THEREFORE, ORDERED that a certificate of convenience and necessity be, and it hereby is, granted to Valley Falls Public Service District to construct certain additions and improvements to its existing waterworks distribution facilities, as described in the application filed herein on May 5, 2005, without need for a hearing.

IT IS FURTHER ORDERED that the financing of the project, consisting of a loan from the West Virginia Infrastructure and Jobs Development Council in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest, be, and hereby is, approved.

IT IS FURTHER ORDERED that the revised water purchase contract by and between Valley Falls Public Service District and the City of Fairmont filed herein on June 23, 2005, be, and hereby is, approved, without specifically approving the terms and conditions thereof.

IT IS FURTHER ORDERED that, within thirty (30) days of the date that this Order becomes final, Valley Falls Public Service District file herein a copy of the revised water purchase contract by and between the District and the City of Fairmont duly executed by both the District and the City of Fairmont.

IT IS FURTHER ORDERED that Valley Falls Public Service District's proposed rates and charges, as revised by Commission Staff and attached hereto as Appendix A, be, and hereby are, approved, to become effective for all service rendered by the District on and after the date the project is completed. However, the increased returned check charge, approved herein, must still be published as hereinafter set forth.

IT IS FURTHER ORDERED that Valley Falls Public Service District publish a copy of the Notice, attached hereto as Appendix B, once a week for two (2) successive weeks, in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia, making due return to the Commission of proper affidavit of publication as soon as practicable.

IT IS FURTHER ORDERED that Valley Falls Public Service District be, and hereby is, directed to submit a certificate of substantial completion of the project from its engineer as soon as it becomes available.

IT IS FURTHER ORDERED that Valley Falls Public Service District file an original and at least five (5) copies of a revised tariff setting forth the rates and charges approved herein, within thirty (30) days from the date that the project is certified as completed.

IT IS FURTHER ORDERED that Valley Falls Public Service District be, and hereby is, directed to file a copy of the engineer's certified tabulations of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that, if there are any changes in the plans, scope or financing of the project, Valley Falls Public Service District shall obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

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

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

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

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

John P. Carter

John P. Carter
Administrative Law Judge

JPC/dfs
050633a.wpd

VALLEY FALLS PUBLIC SERVICE DISTRICT
CASE NO. 05-0633-PWD-CN

APPROVED TARIFF

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service.

RATE (customers with metered water supply)

First	3,000 gallons used per month	\$7.71 per 1,000 gallons
Next	2,000 gallons used per month	\$7.00 per 1,000 gallons
Next	2,000 gallons used per month	\$6.51 per 1,000 gallons
Next	3,000 gallons used per month	\$6.04 per 1,000 gallons
All over	10,000 gallons used per month	\$4.86 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following, based on meter size.

5/8-inch meter	\$ 23.13 per month
3/4-inch meter	\$ 34.70 per month
1-inch meter	\$ 57.83 per month
1-1/2-inch meter	\$ 115.65 per month
2-inch meter	\$ 185.04 per month
3-inch meter	\$ 346.95 per month
4-inch meter	\$ 578.25 per month
6-inch meter	\$1,156.50 per month

DELAYED PAYMENT PENALTY

The above scheduled is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RECONNECTION - \$25.00

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

TAP FEE

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

A tap fee of \$300.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

\$2.71 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 05-0633-PWD-CN

VALLEY FALLS PUBLIC SERVICE DISTRICT,
a public utility, Fairmont,
Marion County.

Application for a certificate of convenience and necessity to construct certain additions and improvements to its existing water distribution system and for approval of the financing thereof, and for approval of a revised Water Purchase Contract with the City of Fairmont.

NOTICE OF INCREASED
RETURNED CHECK CHARGE

In a Recommended Decision entered August 23, 2005, an increased Returned Check Charge, as set forth below, was approved for use by Valley Falls Public Service District for use on or after the date its water distribution system improvement project is completed:

RETURNED CHECK CHARGE

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

VALLEY FALLS PUBLIC SERVICE DISTRICT

West Virginia Infrastructure & Jobs Development Council

Public Members:

Mark Prince, Chairman
Hurricane
Dwight Calhoun, Vice Chairman
Petersburg
Tim Stranko
Morgantown
Dave McComas
Prichard

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

October 5, 2006

Mr. Dorman Williams, Manager
Valley Falls Public Service District
P.O. Box 477
Fairmont, West Virginia 26555

Re: REVISED Binding Commitment Letter
Valley Falls Public Service District
Water Project 2002W-684

Dear Mr. Williams:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") has reviewed the Valley Falls Public Service District's (the "District") request for revision to the Infrastructure Council's binding commitment offer of January 7, 2005 to the District for installation of main, upgrading of existing mains, installation of tanks, abandoning of five existing tanks, installation of two booster stations, abandoning of three existing booster stations, installation of two master meters and abandoning of two existing master meters. At its October 4, 2006 meeting, the Infrastructure Council voted to revise the binding commitment to offer the District a additional Infrastructure Fund loan of \$957,615 (0%, 32 years) as shown on the attached proposed Schedule A. The total project cost is \$4,878,315.

If the District has any questions regarding this commitment, please contact Jeff Brady at the above-referenced telephone number.

Sincerely,



Mark Prince

MP/km

Attachments

cc: Samme Gee, Jackson Kelly
Tim Utt, Burgess & Niple, Limited
John Stump, Steptoe & Johnson

RECEIVED
OFFICE
OCT 5 11:00
PUBLIC SERVICE
DISTRICT

NOTE: This letter is sent in triplicate. Please acknowledge receipt on two copies and immediately return two copies to the Infrastructure Council.

Valley Falls Public Service District

By: _____

Its: _____

Date: _____

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Valley Falls Public Service District
Water Project
Project 2002W-684
October 5, 2006 Revised

SCHEDULE A

- A. Approximate Amount: \$4,878,315 Loan
- B. Loan: \$4,878,315
1. Maturity Date: 32 years from date of closing.
 2. Interest Rate: 0%
 3. Loan Advancement Date(s) Monthly, upon receipt of proper requisition
 4. Debt Service Commencement: The first quarter following completion of construction, which date must be identified prior to closing.
 5. Special Conditions: None

NOTICE: The terms set forth above are subject to change following the receipt of construction bids.

- C. Total Project Cost: \$4,878,315
- D. Proposed User Rates: \$37.51 / 4,500 gallons

West Virginia Infrastructure & Jobs Development Council

Public Members:

Mark Prince, Chairman
Hurricane
Dwight Calhoun, Vice Chairman
Petersburg
C. R. "Rennie" Hill, III
Beckley
Tim Stranko
Morgantown

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Katy Mallory, PE
Executive Director

Katy.Mallory@vertzon.net

January 7, 2005

Mr. Dorman Williams, Manager
Valley Falls Public Service District
P.O. Box 477
Fairmont, West Virginia 26555

JAN 20 2005

Re: REVISED Binding Commitment Letter
Valley Falls Public Service District
Water Project 2002W-684

Dear Mr. Williams:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") has reviewed the Valley Falls Public Service District's (the "District") request for revision to the Infrastructure Council's binding commitment offer of October 14, 2003 to the District for installation of main, upgrading of existing mains, installation of tanks, abandoning of five existing tanks, installation of two booster stations, abandoning of three existing booster stations, installation of two master meters and abandoning of two existing master meters. At its January 5, 2005 meeting, the Infrastructure Council voted to revise the binding commitment to offer the District a combined Infrastructure Fund loan of \$3,920,700 (0%, 32 years) as shown on the attached proposed Schedule A. This combined loan has the equivalent debt service payment as the two proposed loans, but should result in lower closing costs than two separate loans. The total project cost is \$3,920,700.

If the District has any questions regarding this commitment, please contact Katy Mallory at the above-referenced telephone number.

Sincerely,



Mark Prince

MP/km

Attachments

cc: Samme Gee, Jackson Kelly
Tim Utt, Burgess & Niple, Limited
John Stump, Steptoe & Johnson

NOTE: This letter is sent in triplicate. Please acknowledge receipt on two copies and immediately return two copies to the Infrastructure Council.

Valley Falls Public Service District

By: Donna J. Williams

Its: manager

Date: Feb. 12-05

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Valley Falls Public Service District
Water Project
Project 2002W-684
January 7, 2005 Revised

SCHEDULE A

- A. Approximate Amount: \$3,920,700 Loan
- B. Loan: \$3,920,700
1. Maturity Date: 32 years from date of closing.
 2. Interest Rate: 0%
 3. Loan Advancement Date(s) Monthly, upon receipt of proper requisition
 4. Debt Service Commencement: The first quarter following completion of construction, which date must be identified prior to closing.
 5. Special Conditions: None

NOTICE: The terms set forth above are subject to change following the receipt of construction bids.

- C. Total Project Cost: \$3,920,700
- D. Proposed User Rates: \$35.63 / 4500 gallons

West Virginia Infrastructure & Jobs Development Council

Public Members:
Russell Isaacs, Chairman
Cottageville
Dwight Calhoun
Petersburg
C. R. "Rennie" Hill, III
Beckley
Timothy Stranko
Morgantown

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Katy Mallory, PE
Executive Secretary

Katy.Mallory@verizon.net

October 14, 2003

Mr. Dorman Williams, Manager
Valley Falls Public Service District
P.O. Box 477
Fairmont, West Virginia 26555

Re: Binding Commitment Letter
Valley Falls Public Service District
Water Project 2002W-684

Dear Mr. Williams:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") provides this binding offer of an Infrastructure Fund loan of approximately \$3,091,500 (the "Loan") for the above referenced water project. (Project). The Loan will be subject to the terms set forth on Schedule A attached hereto and incorporated herein by reference. The final Loan amount will be established after the District has received acceptable bids for the Project. The Infrastructure Council will set aside a portion of the Infrastructure Fund to make the Loan upon the District's compliance with the program requirements. The Loan agreement will be between the District and the West Virginia Water Development Authority (Authority), acting on behalf of the Infrastructure Council.

This commitment is contingent upon the Project meeting the following schedule:

- a. Submit Plans & Specification to the Bureau for Public Health by February 1, 2004
- b. File Certificate Case with the Public Service Commission no later than April 1, 2004
- c. Advertise for bids no later than August 1, 2004
(The District must receive authority from the Infrastructure Council before bidding the project.)

The Infrastructure Council reserves the right to withdraw this Loan commitment if any of the above schedule dates are not met. The Infrastructure Council may, when justifiable circumstances occur, offer to modify the schedule. Any decision to modify the schedule is at the sole discretion of the Infrastructure Council.

If the District becomes aware that it will not meet one or more of the above schedule dates, the District should immediately notify the Infrastructure Council of this fact and the circumstances which have caused or will cause the District to be unable to meet the schedule. In addition, please immediately notify the Infrastructure Council if any of the other dates on the attached schedule have or will not be met.

The Authority will enter into Loan agreement with the District following receipt of the completed Schedule B, a final, nonappealable order from the Public Service Commission authorizing construction of the Project, evidence of binding commitments for other funding; evidence of all permits; evidence of acceptable bids; and any other documents requested by the Infrastructure Council.

No statements or representations made before or after the issuance of this contingent commitment by any person, member of the Infrastructure Council, or agent or employee of the Authority shall be construed as approval to alter or amend this commitment, as all such amendments or alterations shall only be made in writing after approval of the Infrastructure Council.

If the District has any questions regarding this commitment, please contact Katy Mallory at the above-referenced telephone number.

Sincerely,



Russell L. Isaacs

RLI/km

Attachments

cc: Samme Gee, Jackson Kelly
Tim Utt, Burgess & Niple, Limited
~~John Stump, Steptoe & Johnson~~
Vince Collins, Steptoe & Johnson
Gary Bennet

NOTE: This letter is sent in triplicate. Please acknowledge receipt on two copies and immediately return two copies to the Infrastructure Council.

Valley Falls Public Service District

By: _____

Its: _____

Date: _____

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Valley Falls Public Service District
Water Project
Project 2002W-684
October 14, 2003

SCHEDULE A

- A. Approximate Amount: \$3,091,500 Loan
- B. Loan: \$3,091,500
1. Maturity Date: 40 years from date of closing.
 2. Interest Rate: 0%
 3. Loan Advancement Date(s) Monthly, upon receipt of proper requisition
 4. Debt Service Commencement: The first quarter following completion of construction, which date must be identified prior to closing.
 5. Special Conditions: None

NOTICE: The terms set forth above are subject to change following the receipt of construction bids.

- C. Total Project Cost: \$3,091,500
- D. Proposed User Rates: \$33.12 / 4500 gallons

Project Schedule

Project:	Valley Falls PSD	Funding	
County:	Marion	IJDC loan	\$3,091,500 (0%, 40 years)
Project No:	2002W-684	Total:	\$3,091,500

Action	Responsible Party	Start	Completion
Engineering Agreement (E/A)	PSD / B&N	Complete	Complete
PSC approval of E/A	PSC	N/A	N/A
Prepare & Submit Plans & Specs to BPH	B&N		February 1, 2004
Plans & Specs. Review & Approval (6 weeks)	BPH	February 1, 2004	March 15, 2004
Prepare & submit permit applications	B&N		February 1, 2004
Prepare Rule 42	Bennett	February 1, 2004	March 1, 2004
Pre file with the PSC	Step toe		March 1, 2004
File Certificate Case with PSC	Step toe		April 1, 2004
Review & Approve PSC Certificate (6 months)	PSC	April 1, 2004	October 1, 2004
Rights-of-way, Easements & Land Acquisition	Scott Tharp	February 1, 2004	July 1, 2004
Authority to Advertise	IJDC		July 15, 2004
Advertise for Bids (45 days)	PSD / B&N		August 1, 2004
Bid Opening (90 days)	PSD / B&N		September 15, 2004
Loan Closing	Step toe / PSD		December 1, 2004
Start Construction (270 days)	Contractors	March 2005	December 2005

B&N: Burgess & Niple
 BPH: Bureau for Public Health
 PSC: Public Service Commission

West Virginia Infrastructure & Jobs Development Council

Public Members:

Russell L. Isaacs, Chairman
Cottageville
Henry Harmon, Vice Chairman
Hurricane
Dwight Calhoun
Petersburg
C. R. "Rennie" Hill, III
Beckley

300 Summers Street, Suite 91
Charleston, West Virginia 25301
Telephone: (304) 558-4600
Facsimile: (304) 558-4600

Katy Mallory, P
Executive Secretary

Katy.Mallory@verizon.net

June 4, 2003

Dorman Williams, Manager
Valley Falls Public Service District
P.O. Box 477
Fairmont, West Virginia 26555

Re: Valley Falls Public Service District (Phase I)
Water Project 2002W-684a

Dear Mr. Williams:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") has reviewed the Valley Falls Public Service District's (the "District") revised preliminary application regarding its proposed project to install main, upgrade existing mains, install a tank, abandon existing tanks, install a booster station, abandon existing booster stations, install a master meter and abandon the existing master meter (the "Project").

Based on the findings of the Water Technical Review Committee, the Infrastructure 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 Water 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 Infrastructure Council determined that the District may be eligible for an Infrastructure Fund loan of \$1,765,000 pending the District's readiness to proceed and availability of funds in the Infrastructure Fund. **This letter is not a commitment letter of Infrastructure Funds.** The Project will be placed on the Infrastructure Council's pending list of projects.

If you have any questions regarding this matter, please contact Katy Mallory at 558-4607.

Sincerely,



Russell L. Isaacs

Enclosure

RLI/km

cc: Walt Ivey, BPH (w/o enclosure)
Region VI Planning & Development Council
Burgess & Niple, Limited

West Virginia Infrastructure & Jobs Development Council

Public Members:

Russell L. Isaacs, Chairman
Cottageville
Henry Harmon, Vice Chairman
Hurricane
Dwight Calhoun
Petersburg
William P. Stafford, II, Esq.
Princeton

300 Summers Street, Suite 91
Charleston, West Virginia 25301
Telephone: (304) 558-4600
Facsimile: (304) 558-4600

Katy Mallory, P
Executive Secretary

KMallory@ezwv.com

May 1, 2002

Mr. Dorman Williams, Manager
Valley Falls Public Service District
P.O. Box 477
Fairmont, West Virginia 26555

Re: Valley Falls Public Service District
Water Project 2002W-684

Dear Mr. Williams:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") has reviewed the Valley Falls Public Service District's (the "District") preliminary application regarding its proposed project to upgrade the water system (the "Project").

Based on the findings of the Water Technical Review Committee, the Infrastructure 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 Water 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 preliminary application, the Infrastructure Council recommends that the District pursue a Drinking Water Treatment Revolving Fund loan of \$1,545,750 to finance this \$3,091,500 Project. Please contact the Bureau of Public Health office at 558-6715 for specific information on the steps the District needs to follow to apply for these funds. Please note that this letter does not constitute funding approval from this agency.

The Infrastructure Council also determined the Commission may be eligible for Infrastructure Fund Loan of up to \$3,091,500 (\$1,545,750 in lieu of the Drinking Water Treatment Revolving Fund loan); however, the Infrastructure Council's final decision regarding specific funding of the Project is deferred pending the Commission's readiness to proceed and availability of funds in the Infrastructure Fund. This letter is not a commitment letter of Infrastructure Funds. The Project will be placed on the Infrastructure Council's pending list of projects.

If you have any questions regarding this matter, please contact Katy Mallory at 558-4607.

Sincerely,



Russell L. Isaacs

Enclosure

cc: Walt Ivey, BPH (w/o enclosure)
Region VI Planning & Development Council
Burgess & Niple, Limited

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On this 12th day of January, 2007, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of Valley Falls Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, in the principal amount of \$4,878,315, numbered AR-1 (the "Series 2007 A Bonds"), issued as a single, fully registered Bond, and dated January 12, 2007.

2. At the time of such receipt, all the Series 2007 A Bonds had been executed by the Chairman and the Secretary of the Issuer by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2007 A Bonds, of \$267,750.00, being a portion of the principal amount of the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be advanced by the Authority and the West Virginia Infrastructure and Jobs Development Council to the Issuer as acquisition and construction of the Project progresses.

Dated as of the day and year first written above.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B Meadows
Its: Authorized Representative

VALLEY FALLS PUBLIC SERVICE DISTRICT

By: James F Quinn
Its: Chairman

12/15/06
928790.00004

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank,
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On this 12th day of January, 2007, there are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of Valley Falls Public Service District Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the principal amount of \$4,878,315 (the "Series 2007 A Bonds"), dated January 12, 2007 (collectively, the "Bonds"), executed by the Chairman and Secretary of Valley Falls 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 January 5, 2007, and a Supplemental Resolution duly adopted by the Issuer on January 5, 2007 (collectively, the "Bond Legislation");

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

(3) Executed counterparts of a loan agreement for the Series 2007 A Bonds, dated January 12, 2007, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"); and

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

You are hereby requested and authorized to deliver the Series 2007 A Bonds to the Authority upon payment to the Issuer of the sum of \$267,750.00, representing a portion of the principal amount of the Series 2007 A Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

[Remainder of Page Intentionally Left Blank]

Dated as of the day and year first written above.

VALLEY FALLS PUBLIC SERVICE DISTRICT

By: James H. Davis
Its: Chairman

12/18/06
928790.00004

SPECIMEN

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

No. AR-1

\$4,878,315

KNOW ALL MEN BY THESE PRESENTS: That VALLEY FALLS PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of FOUR MILLION EIGHT HUNDRED SEVENTY EIGHT THOUSAND THREE HUNDRED FIFTEEN THOUSAND DOLLARS (\$4,878,315), 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, 2008, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated January 12, 2007.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on January 5, 2007, and a Supplemental Resolution duly adopted by the Issuer on January 5, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE WATER REFUNDING REVENUE BONDS, SERIES 2006 A (J.P. MORGAN CHASE BANK, N.A.), DATED NOVEMBER 22, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$322,000 (THE "SERIES 2006 A BONDS" OR THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute 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 monies in the Series 2007 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, 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 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation,

and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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

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

IN WITNESS WHEREOF, VALLEY FALLS 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 January 12, 2007.

[SEAL]


Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: January 12, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar


Authorized Officer

SPECIMEN

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	\$267,750.00	01.12.07 (19)	\$		
(2)	\$		(20)	\$	
(3)	\$		(21)	\$	
(4)	\$		(22)	\$	
(5)	\$		(23)	\$	
(6)	\$		(24)	\$	
(7)	\$		(25)	\$	
(8)	\$		(26)	\$	
(9)	\$		(27)	\$	
(10)	\$		(28)	\$	
(11)	\$		(29)	\$	
(12)	\$		(30)	\$	
(13)	\$		(31)	\$	
(14)	\$		(32)	\$	
(15)	\$		(33)	\$	
(16)	\$		(34)	\$	
(17)	\$		(35)	\$	
(18)	\$		(36)	\$	

TOTAL \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

\$4,878,315

Valley Falls Public Service District (West Virginia)

0% Interest Rate; 32 Years

Closing Date: January 12, 2007

Sources & Uses

Dated 01/12/2007 | Delivered 01/12/2007

Sources Of Funds

Par Amount of Bonds	\$4,878,315.00
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Total Sources	\$4,878,315.00
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Uses Of Funds

Deposit to Project Construction Fund	4,878,315.00
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Total Uses	\$4,878,315.00
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\$4,878,315

Valley Falls Public Service District (West Virginia)

0% Interest Rate; 32 Years

Closing Date: January 12, 2007

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
03/01/2007	-	-	-
06/01/2007	-	-	-
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	-	-	-
09/01/2008	38,112.00	-	38,112.00
12/01/2008	38,112.00	-	38,112.00
03/01/2009	38,112.00	-	38,112.00
06/01/2009	38,112.00	-	38,112.00
09/01/2009	38,112.00	-	38,112.00
12/01/2009	38,112.00	-	38,112.00
03/01/2010	38,112.00	-	38,112.00
06/01/2010	38,112.00	-	38,112.00
09/01/2010	38,112.00	-	38,112.00
12/01/2010	38,112.00	-	38,112.00
03/01/2011	38,112.00	-	38,112.00
06/01/2011	38,112.00	-	38,112.00
09/01/2011	38,112.00	-	38,112.00
12/01/2011	38,112.00	-	38,112.00
03/01/2012	38,112.00	-	38,112.00
06/01/2012	38,112.00	-	38,112.00
09/01/2012	38,112.00	-	38,112.00
12/01/2012	38,112.00	-	38,112.00
03/01/2013	38,112.00	-	38,112.00
06/01/2013	38,112.00	-	38,112.00
09/01/2013	38,112.00	-	38,112.00
12/01/2013	38,112.00	-	38,112.00
03/01/2014	38,112.00	-	38,112.00
06/01/2014	38,112.00	-	38,112.00
09/01/2014	38,112.00	-	38,112.00
12/01/2014	38,112.00	-	38,112.00
03/01/2015	38,112.00	-	38,112.00
06/01/2015	38,112.00	-	38,112.00
09/01/2015	38,112.00	-	38,112.00
12/01/2015	38,112.00	-	38,112.00
03/01/2016	38,112.00	-	38,112.00
06/01/2016	38,112.00	-	38,112.00
09/01/2016	38,112.00	-	38,112.00
12/01/2016	38,112.00	-	38,112.00
03/01/2017	38,112.00	-	38,112.00
06/01/2017	38,112.00	-	38,112.00
09/01/2017	38,112.00	-	38,112.00
12/01/2017	38,112.00	-	38,112.00

\$4,878,315

Valley Falls Public Service District (West Virginia)

0% Interest Rate; 32 Years

Closing Date: January 12, 2007

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
03/01/2018	38,112.00	-	38,112.00
06/01/2018	38,112.00	-	38,112.00
09/01/2018	38,112.00	-	38,112.00
12/01/2018	38,112.00	-	38,112.00
03/01/2019	38,112.00	-	38,112.00
06/01/2019	38,112.00	-	38,112.00
09/01/2019	38,112.00	-	38,112.00
12/01/2019	38,112.00	-	38,112.00
03/01/2020	38,112.00	-	38,112.00
06/01/2020	38,112.00	-	38,112.00
09/01/2020	38,112.00	-	38,112.00
12/01/2020	38,112.00	-	38,112.00
03/01/2021	38,112.00	-	38,112.00
06/01/2021	38,112.00	-	38,112.00
09/01/2021	38,112.00	-	38,112.00
12/01/2021	38,112.00	-	38,112.00
03/01/2022	38,112.00	-	38,112.00
06/01/2022	38,112.00	-	38,112.00
09/01/2022	38,112.00	-	38,112.00
12/01/2022	38,112.00	-	38,112.00
03/01/2023	38,112.00	-	38,112.00
06/01/2023	38,112.00	-	38,112.00
09/01/2023	38,112.00	-	38,112.00
12/01/2023	38,112.00	-	38,112.00
03/01/2024	38,112.00	-	38,112.00
06/01/2024	38,112.00	-	38,112.00
09/01/2024	38,112.00	-	38,112.00
12/01/2024	38,112.00	-	38,112.00
03/01/2025	38,112.00	-	38,112.00
06/01/2025	38,112.00	-	38,112.00
09/01/2025	38,112.00	-	38,112.00
12/01/2025	38,112.00	-	38,112.00
03/01/2026	38,112.00	-	38,112.00
06/01/2026	38,112.00	-	38,112.00
09/01/2026	38,112.00	-	38,112.00
12/01/2026	38,112.00	-	38,112.00
03/01/2027	38,112.00	-	38,112.00
06/01/2027	38,112.00	-	38,112.00
09/01/2027	38,112.00	-	38,112.00
12/01/2027	38,112.00	-	38,112.00
03/01/2028	38,112.00	-	38,112.00
06/01/2028	38,112.00	-	38,112.00
09/01/2028	38,112.00	-	38,112.00
12/01/2028	38,112.00	-	38,112.00

\$4,878,315

Valley Falls Public Service District (West Virginia)

0% Interest Rate; 32 Years

Closing Date: January 12, 2007

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
03/01/2029	38,112.00	-	38,112.00
06/01/2029	38,112.00	-	38,112.00
09/01/2029	38,112.00	-	38,112.00
12/01/2029	38,112.00	-	38,112.00
03/01/2030	38,112.00	-	38,112.00
06/01/2030	38,112.00	-	38,112.00
09/01/2030	38,112.00	-	38,112.00
12/01/2030	38,112.00	-	38,112.00
03/01/2031	38,112.00	-	38,112.00
06/01/2031	38,112.00	-	38,112.00
09/01/2031	38,112.00	-	38,112.00
12/01/2031	38,112.00	-	38,112.00
03/01/2032	38,112.00	-	38,112.00
06/01/2032	38,112.00	-	38,112.00
09/01/2032	38,112.00	-	38,112.00
12/01/2032	38,112.00	-	38,112.00
03/01/2033	38,112.00	-	38,112.00
06/01/2033	38,112.00	-	38,112.00
09/01/2033	38,112.00	-	38,112.00
12/01/2033	38,112.00	-	38,112.00
03/01/2034	38,112.00	-	38,112.00
06/01/2034	38,112.00	-	38,112.00
09/01/2034	38,112.00	-	38,112.00
12/01/2034	38,112.00	-	38,112.00
03/01/2035	38,112.00	-	38,112.00
06/01/2035	38,111.00	-	38,111.00
09/01/2035	38,111.00	-	38,111.00
12/01/2035	38,111.00	-	38,111.00
03/01/2036	38,111.00	-	38,111.00
06/01/2036	38,111.00	-	38,111.00
09/01/2036	38,111.00	-	38,111.00
12/01/2036	38,111.00	-	38,111.00
03/01/2037	38,111.00	-	38,111.00
06/01/2037	38,111.00	-	38,111.00
09/01/2037	38,111.00	-	38,111.00
12/01/2037	38,111.00	-	38,111.00
03/01/2038	38,111.00	-	38,111.00
06/01/2038	38,111.00	-	38,111.00
09/01/2038	38,111.00	-	38,111.00
12/01/2038	38,111.00	-	38,111.00
03/01/2039	38,111.00	-	38,111.00
06/01/2039	38,111.00	-	38,111.00
09/01/2039	38,111.00	-	38,111.00

\$4,878,315

Valley Falls Public Service District (West Virginia)

0% Interest Rate; 32 Years

Closing Date: January 12, 2007

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
12/01/2039	38,111.00	-	38,111.00
03/01/2040	38,111.00	-	38,111.00
06/01/2040	38,111.00	-	38,111.00
Total	\$4,878,315.00	-	\$4,878,315.00

Yield Statistics

Bond Year Dollars	\$85,465.09
Average Life	17.519 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	9.20E-10
Bond Yield for Arbitrage Purposes	9.20E-10
All Inclusive Cost (AIC)	9.20E-10

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	17.519 Years

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

January 12, 2007

Valley Falls Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Valley Falls Public Service District
Fairmont, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Valley Falls 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 \$4,878,315 Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated January 12, 2007, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2008, and maturing June 1, 2040, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of acquisition and construction of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on January 5, 2007, as supplemented by a Supplemental Resolution duly adopted by the Issuer on January 5, 2007 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

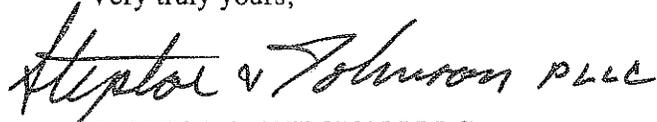
Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.
2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the Council and cannot be amended by the Issuer so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Issuer without the written consent of the Authority and the Council.
3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Prior Bonds, all in accordance with the terms of the Bonds and the Bond Legislation.
5. The Bonds are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Bonds, if any, is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.
6. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

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

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

Very truly yours,


STEPTOE & JOHNSON PLLC

12/18/06
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Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
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Writer's Contact Information

January 12, 2007

Valley Falls Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Valley Falls Public Service District
Fairmont, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Valley Falls 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, for its \$4,878,315 Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated January 12, 2007, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2008, and maturing June 1, 2040, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of acquisition and construction of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on January 5, 2007, as supplemented by a Supplemental Resolution duly adopted by the Issuer on January 5, 2007 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

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

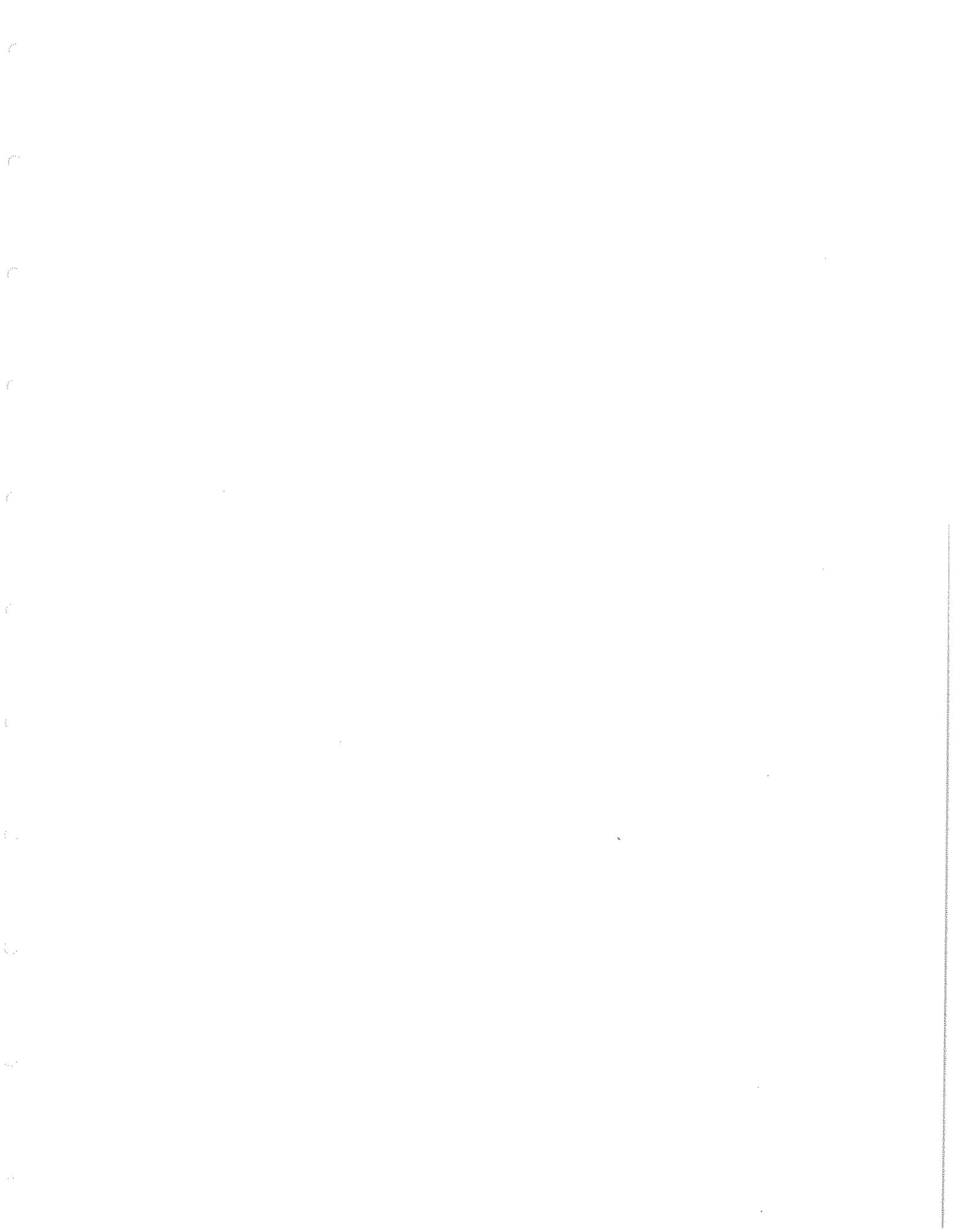
1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.
2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the Council and cannot be amended by the Issuer so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Issuer without the written consent of the Authority and the Council.
3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Prior Bonds, all in accordance with the terms of the Bonds and the Bond Legislation.
5. The Bonds are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Bonds, if any, is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.
6. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

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

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

Very truly yours,


STEPTOE & JOHNSON PLLC





Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

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Writer's Contact Information

January 12, 2007

Valley Falls Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Valley Falls Public Service District
Fairmont, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We are special counsel to Valley Falls Public Service District in Marion County, West Virginia (the "Issuer"). As such counsel, we have represented the Issuer before the Public Service Commission of West Virginia in connection with the issuance of the above-referenced bonds.

We are of the opinion that the Issuer has received the Final Order of the Public Service Commission of West Virginia dated September 12, 2005, and Commission Order dated January 10, 2007, in Case No. 05-0633-PWD-CN, granting the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal having been filed. Such Final Order remains in full force and effect. The time for appeal of the Commission Order has not expired prior to the date hereof. However, the Issuer has certified that it does not intend to appeal such Order and the other parties to such Order have stated that they do not intend to appeal such Order. Such Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to such Order.

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

Very truly yours,


STEP TOE & JOHNSON PLLC

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THARP, LIOTTA & YOKUM, LLP

ATTORNEYS AT LAW

WESBANCO BANK BUILDING

FAIRMONT, WEST VIRGINIA 26555-1509

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J. SCOTT THARP
KAREN M. YOKUM
JARROD G. DEVAULT

JAMES A. LIOTTA (1946-2005)

January 12, 2007

Valley Falls Public Service District
P. O. Box 477
Fairmont, West Virginia 26554

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

West Virginia Infrastructure and Jobs
Development Council
300 Summers Street, Suite 980
Charleston, West Virginia

Steptoe & Johnson PLLC
P. O. Box 1588
Charleston, West Virginia 25326-1588

Re: Valley Falls Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We are counsel to Valley Falls Public Service District, a public service district, in Marion County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a loan agreement for the Series 2007 A Bonds dated JANUARY 12, 2007, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), the Bond Resolution duly adopted by the Issuer on January 5, 2007, as supplemented by the Supplemental Resolution duly adopted by the Issuer on January 5, 2007 (collectively, the "Bond Legislation"), orders of The County Commission of Marion County relating to the Issuer and the appointment of members of the

Public Service Board of the Issuer, and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (collectively, the "Bonds"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreement when used herein.

We are of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.
2. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, 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, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
4. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.
5. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Bonds, the Loan Agreement and the Bond Legislation and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any ordinance, order, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.
6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders, certificates and approvals from The County Commission of Marion County, the Bureau for Public Health, the Council and the Public Service Commission of West Virginia, and 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. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

8. To the best of our knowledge, there is no 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 Loan Agreement, the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

9. We have ascertained that all successful bidders have made the required provisions for all insurance and payment and performance bonds and verified such insurance policies and bonds for accuracy. Based upon our review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, we are 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 interests of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Bond Legislation and the Loan Agreement; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Sincerely,



Jarrod G. DeVault

JGD:dz

THARP, LIOTTA & YOKUM, LLP

ATTORNEYS AT LAW

WESBANCO BANK BUILDING

FAIRMONT, WEST VIRGINIA 26555-1509

P. O. BOX 1509

J. SCOTT THARP
KAREN M. YOKUM
JARROD G. DEVAULT

JAMES A. LIOTTA (1946-2005)

TELEPHONE (304) 363-1123

FAX NO. (304) 366-1386

E-MAIL ADDRESS:

TLJY@access.mountain.net

December 27, 2006

West Virginia Infrastructure and Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

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

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

RE: Final Title Opinion for Valley Falls Public
Service District
System Improvement Project
Contract 05-1

Ladies and Gentlemen:

We are counsel to Valley Falls Public Service District (VFPSD) (the "Issuer") in connection with a proposed project to construct and improve its existing water distribution system (the "Project"). We provide this final title opinion on behalf of the Issuer to satisfy the requirements of the West Virginia Infrastructure and Jobs Development Council (the "Council") for the Project. Please be advised of the following:

1. We are of the opinion that the Issuer is a duly created and 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 and has the full power and authority to construct, operate, and maintain the Project as approved by the BPH.

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

December 27, 2006

West Virginia Infrastructure and Jobs Development Council, et al.

Page 2

3. We 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 Burgess and Niple, Inc., the consulting engineers for the Project.

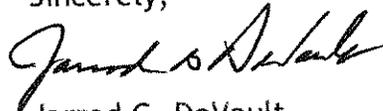
4. We have examined the records on file in the Office of the Clerk of the County Commission of Marion County, West Virginia, the county in which the Project is to be located, and, in our opinion, the Issuer has acquired legal title or such other estate or interest in all of the necessary site components for the Project, including all easements and/or rights of way, with the exception of those listed in Paragraph 5, sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the Project.

5. The following listed properties are to be acquired by eminent domain, and the necessary filings have been made in the Office of the Clerk of the Circuit Court of Marion County, West Virginia, to permit the Issuer a right-of-entry for the purpose of construction, operation, and maintenance of the Project on the subject properties. The Issuer's title thereto is defeasible in the event the Issuer does not satisfy any resulting judgment and/or award in the proceedings for acquisition of said properties, and our certification is subject to the following pending litigation:

<u>Name</u>	<u>Tax Map</u>	<u>Parcel</u>
Saurborn, Robert	04-22	10
Saurborn, Robert	04-25	16

6. All deeds or other documents which have been acquired to date by VFPSD have been duly recorded in the aforesaid Clerk's Office in order to protect the legal title to and interest of VFPSD.

Sincerely,



Jarrod G. DeVault

JGD:lib

cc: Vincent Collins, Esq.
Samme Gee, Esq.
Valley Falls Public Service District
Timm Utt, Burgess & Niple, Inc.
Sheena Hunt, Region IV
File

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENT
11. RATES
12. PUBLIC SERVICE COMMISSION ORDERS
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. SPECIMEN BOND
16. CONFLICT OF INTEREST
17. PROCUREMENT OF ENGINEERING SERVICES
18. COMPLIANCE WITH WEST VIRGINIA JOBS ACT
19. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Valley Falls Public Service District in Marion County, West Virginia (the "Issuer"), and the undersigned COUNSEL TO THE ISSUER, hereby certify in connection with the Issuer's Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated the date hereof (collectively, the "Bonds"), as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution of the Issuer duly adopted January 5, 2007, and the Supplemental Resolution duly adopted January 5, 2007 (collectively, the "Bond Legislation").

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition or construction of the Project, the operation of the System, the receipt the Net Revenues, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the

pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition and construction of the Project, the operation of the System, the pledge or application of moneys and security or the collection of the Gross Revenues or the pledge of the Net Revenues as security for the Bonds.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery by the Issuer of the Loan Agreement, and the Issuer has met all conditions prescribed in the Loan Agreement. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the Water Refunding Revenue Bonds, Series 2006 A (J.P. Morgan Chase Bank, N.A.), dated November 22, 2006, issued in the original aggregate principal amount of \$322,000 (the "Series 2006 A Bonds" or the "Prior Bonds").

The Series 2007 A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all respects. The Issuer has obtained a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolutions.

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, supplemented or changed in any way unless modification appears from later documents also listed below:

Bond Resolution

Supplemental Resolution

Series 2007 A Bond Loan Agreement

Public Service Commission Order

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating, Consolidating and Enlarging the District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Excerpt of Minutes on Organizational Meeting, Adoption of Bond Resolution, Supplemental Resolution and First Draw Resolution

Environmental Health Services Permit

Evidence of Insurance

Prior Bond Resolution

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

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
John David Paugh	03/19/2004	07/01/2008
James K. Quin	07/09/2004	07/01/2010

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 2007 are as follows:

Chairman - James K. Quin
Secretary/Treasurer - Eugene M. Sapp

The duly appointed and acting counsel to the Issuer is Tharp, Liotta & Yokum, LLP, in Fairmont, West Virginia. The duly appointed and acting special counsel to the Issuer for the purposes of representing the Issuer before the Public Service Commission of West Virginia in connection with the issuance of the above-referenced bonds is Steptoe & Johnson PLLC.

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 Bonds.

8. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds 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 the Rules of Procedure of the Governing Body and all applicable statutes, including, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

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

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

11. RATES: The Issuer has received the Final Order of the Public Service Commission of West Virginia dated September 12, 2005, and Commission Order dated January 10, 2007, in Case No.05-0633-PWD-CN, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. Such Final Order remains in full force and effect. The rates are currently in effect.

12. PUBLIC SERVICE COMMISSION ORDERS: The Issuer has received the Final Order and Commission Order of the Public Service Commission of West Virginia dated September 12, 2005, and January 10, 2007, respectively, in Case No.05-0633-PWD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. The Issuer hereby certifies that it will not appeal such Order and the other parties to such Order have stated that they do not intend to appeal such Order. Such Final Order and Commission Order remain in full force and effect.

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

14. BOND PROCEEDS: On the date hereof, the Issuer also received \$267,750.00 from the Authority and the Council, being a portion of the principal amount of the Series 2007 A Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

15. SPECIMEN BONDS: Delivered concurrently herewith is a true and accurate specimen of the 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 Bonds, the Bond Legislation and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

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

18. COMPLIANCE WITH THE WEST VIRGINIA JOBS ACT. That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (i) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (ii) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (iii) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (iv) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

19. EXECUTION OF COUNTERPARTS: This document may be executed in

one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official seal of VALLEY FALLS PUBLIC SERVICE DISTRICT on this 12th day of January, 2007.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Jane B. Quinn

Chairman

Ernest M. Sapp

Secretary

James A. DeLaur

Counsel to Issuer

Stephanie Johnson PLLC

Special PSC Counsel to Issuer

12/19/06
928790.00004

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

CERTIFICATE OF ENGINEER

I, Timothy L. Utt, Registered Professional Engineer, West Virginia License No. 13237, of Burgess & Niple, Inc., Parkersburg, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing public waterworks facilities (the "System") of Valley Falls Public Service District (the "Issuer") to be constructed in Marion County, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds (collectively, the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on January 5, 2007, and the Loan Agreement for the Series 2007 A Bonds, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated January 12, 2007 (the "Loan Agreement").

2. The Series 2007 A Bonds are being issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project; and (ii) paying certain costs of issuance of the Bonds and related costs.

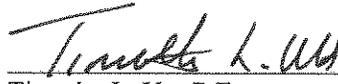
3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the West Virginia Bureau for Public Health ("BPH") and the Council and any change orders approved by the Issuer, the Council, the BPH and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least forty years, if properly constructed, 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 the Schedule B attached hereto as Exhibit A and the Issuer's counsel, Tharp, Liotta & Yokum, LLP, 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 BPH and the bid forms provided to the bidders contain the 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 the operation of the System; (ix) in reliance upon the certificate of the Issuer's certified public accountant, Gary K. Bennett, CPA, as of the effective date thereof, the rates and charges for the System as approved by the Public Service Commission of West Virginia and adopted by the Issuer will be sufficient to comply with the provisions of the Loan 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 BPH; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal on this 12th day of January, 2007.

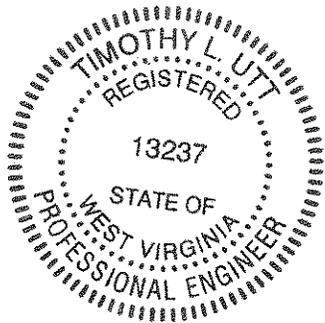
BURGESS & NIPLE, INC.

(SEAL)



Timothy L. Utt, P.E.

West Virginia License No. 13237



12/18/06
928790.00004

VALLEY FALLS PUBLIC SERVICE DISTRICT
SCHEDULE B

A. COST OF PROJECT	TOTAL	JDC	PSD
1 Construction			
Contract 1	2,457,656.38	2,457,656.38	0.00
Contract 2	648,508.99	648,508.99	0.00
Contract 3	787,795.00	787,795.00	0.00
Work by the PSD	43,000.00	43,000.00	0.00
Construction Contingency (5%)	200,000.00	200,000.00	
2 Technical Services (Burgess & Niple)			
a. Planning	0.00	0.00	0.00
b. Design - Burgess & Niple, Inc.	280,000.00	192,000.00	88,000.00
Interest on Engineering Fees	15,967.34	6,735.60	9,231.74
c. Geotechnical - Triad Engineering, Inc.	7,205.00	0.00	7,205.00
d. Surveying - Freelance Technical Associates, Inc.	23,128.34	0.00	23,128.34
e. Construction Services (Management & RPR) - Burgess & Niple, Inc.	330,100.00	330,100.00	0.00
3 Legal & Fiscal			
a. Legal (PSC)	7,500.00	7,500.00	0.00
b. Accounting	10,500.00	10,500.00	0.00
4 Administrative / Permits			
a. Contract Administration (Region VI)	50,000.00	50,000.00	0.00
b. CSX Right of Way Permit Fee	31,650.00	0.00	31,650.00
c. WVPBH Permit Fee	300.00	0.00	300.00
d. NPDES Permit Fee	1,170.00	0.00	1,170.00
e. WVDOT Right of Way Fee	12,135.46	12,135.46	
5 Sites & Other Lands			
a. Tank Sites	14,000.00	0.00	14,000.00
b. Attorney (Easements)	38,000.00	38,000.00	0.00
6 Interim Financing	0.00	0.00	0.00
7 Miscellaneous (advertisements; permits, notices, recording, etc)	7,500.00	7,500.00	0.00
8 Project Contingency	67,383.57	67,383.57	0.00
9 TOTAL of Lines 1 through 8	5,033,500.08	4,858,815.00	174,685.08
B. COST OF FINANCING			
10 Funded Reserve	0.00	0.00	0.00
11 Registrar Fee	500.00	500.00	0.00
12 Bond Counsel (Stoptoe & Johnson)	19,000.00	19,000.00	0.00
13 Cost of Issuance (lines 10 through 12)	19,500.00	19,500.00	0.00
14 TOTAL PROJECT COST (line 9 plus line 13)	5,053,000.08	4,878,315.00	174,685.08
C. SOURCES OF OTHER FUNDS			
15 Federal Grants	0.00	0.00	0.00
16 State Grant	0.00	0.00	0.00
17 Any Other Source	174,685.08	0.00	174,685.08
18 TOTAL GRANT FUNDING (Lines 15 through 17)	174,685.08	0.00	174,685.08
19 Size of Bond Issue (Line 14 minus line 18)	4,878,315.00	4,878,315.00	0.00

Valley Falls Public Service District


Timothy Utt, PE, Burgess & Niple, Inc.

Date


Date

GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone: (304) 366-4295
Fax: (304) 366-4311

January 12, 2007

Valley Falls Public Service District
Water Revenue Bonds, Series 2006 A
(West Virginia Infrastructure Fund)

Valley Falls Public Service District
Fairmont, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure & Jobs Development Council
Charleston, West Virginia

Ladies and Gentleman:

Based upon the water rates and charges set forth in the Final Order entered on September 12, 2005, and Commission Order dated January 10, 2007, of the Public Service Commission of West Virginia in Case No. 05-0633-PWD-CN, and it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Bonds"), and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Issuer's Water Refunding Revenue Bonds, Series 2006 A (JP Morgan Chase Bank, N.A.) (the "Prior Bonds").

It is further my opinion the (i) the Net Revenues for the Fiscal Year following the year in which the Series 2007 A Bonds are issued will be at least 115% of the average annual debt service on the Prior Bonds and the Series 2007 A Bonds and that (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2007 A Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2007 A 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 on the Prior Bonds and the Series 2007 A Bonds.

Very truly yours,



Gary K. Bennett
Certified Public Accountant

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairman of the Public Service Board of Valley Falls Public Service District in Marion County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of the \$4,878,315 Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, dated January 12, 2007 (the "Bonds"), hereby certifies 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 meanings set forth in the Bond Resolution duly adopted by the Issuer on January 5, 2007 (the "Bond 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 January 12, 2007, the date on which the Bonds are being physically delivered in exchange for an initial advance of the principal amount of the Series 2007 A Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to 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 Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority"), the West Virginia Department of Environmental Protection (the "DEP") or the West Virginia Infrastructure and Jobs Development Council (the "Council"), as the case may be, from which the proceeds of the Bonds are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2007 A Bonds were sold on January 12, 2007, to the Authority, pursuant to a loan agreement dated January 12, 2007, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of \$4,878,315 (100% of par), at which time, the Issuer received \$267,750.00 from the Authority and the Council, being the first advance of the principal amount of the Series 2007 A Bonds. No accrued interest has been or will be paid on the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2007 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project; and (ii) paying certain costs of issuance and related costs.

7. Within 30 days after 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 Project, constituting a substantial binding commitment. The acquisition and construction of the Project and the allocation of the net sale proceeds of the Bonds to expenditures of the Project shall commence immediately and shall proceed with due diligence to completion 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 April 12, 2008. The acquisition and construction of the Project is expected to be completed by January 12, 2008.

10. The total cost of the Project is estimated at \$5,053,000.08. Sources and uses of funds for the Project are as follows:

SOURCES

Proceeds of the Series 2007 A Bonds	\$4,878,315.00
Valley Falls Public Service District	<u>\$ 174,685.08</u>
Total Sources	\$5,053,000.08

USES

Costs of Acquisition and Construction of the Project	\$5,033,000.08
Costs of Issuance	<u>\$ 20,000.00</u>
Total Uses	\$5,053,000.08

11. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2007 A Bonds:

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Renewal and Replacement Fund;
- (3) Series 2007 A Bonds Construction Trust Fund;
- (4) Series 2007 A Bonds Sinking Fund; and
- (5) Series 2007 A Bonds Reserve Account.

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

(1) Series 2007 A Bond proceeds in the amount of \$-0- will be deposited in the Series 2007 A Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Series 2007 A Bonds during acquisition and construction of the Project and for a period not to exceed six months following completion thereof.

(2) The balance of the proceeds of the Series 2007 A Bonds will be deposited in the Series 2007 A 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 Series 2007 A Bonds and related costs.

13. Monies held in the Series 2007 A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2007 A Bonds and will not be available to meet costs of acquisition and construction of the Project. All investment earnings on monies in the Series 2007 A Bonds Sinking Fund and Series 2007 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2007 A Bonds Construction Trust Fund during construction of the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

14. 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 six (6) months of the date hereof.

15. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

16. With the exception of the amount deposited in the Series 2007 A Bonds Sinking Fund for payment of interest, if any, on the Bonds and the amount deposited in the

Series 2007 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within twelve (12) months from the date of issuance thereof.

17. 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.

18. 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.

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

20. 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.

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

22. The Issuer shall use the Bond proceeds solely for the costs of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

23. The Bonds are not federally guaranteed.

24. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain public purpose bonds.

25. The Issuer has either (a) funded the Series 2007 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due, on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2007 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2007 A Bonds Reserve Account hold an amount equal to the maximum amount of principal and interest which will mature and become due, respectively, on the Bonds in the then current or any succeeding year. Monies in the Series 2007 A Bonds Reserve Account and the Series 2007 A Bonds Sinking Fund will be used solely to pay principal of and interest on each series of the Bonds and will not be available to pay costs of the Project.

26. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Series 2007 A Bonds, (b) are to be sold pursuant to a common plan of financing together with the 2007 A Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

27. 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.

28. 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.

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

WITNESS my signature on this 12th day of January, 2007.

VALLEY FALLS PUBLIC SERVICE DISTRICT

By: James H. Quinn
Its: Chairman

12/18/06
928790.00004

And now came the said Committee, and directed the Court's attention to their motion in writing, for an order of the Court appointing three capable and discreet persons as Board Members to take charge of the operation of the proposed Public Service District, and conduct and manage the same in the manner provided by law, and moved for a hearing on said motion. Whereupon the Court heard further evidence adduced by petitioners, by witnesses who were first duly sworn, according to law.

Upon consideration whereof the Court is of opinion that the petition heretofore filed contains the names of 220 property owners and legal voters and residents of the proposed District, and that the said Public Service District for water services in said above described area should be created. It is therefore ORDERED, ADJUDGED AND DECREED that the said Public Service District be and the same is hereby created. It is further ordered that the name of the said District be called VALLEY FALLS PUBLIC SERVICE DISTRICT.

It is further ordered and adjudged and decreed that John R. P. Smith, Earl L. Carpenter and Milford J. McVicker be and the same are hereby appointed Board Members with terms as follows: 6 years, 4 years and 2 years respectively, the terms to run from the date hereof. It is further ordered that the said Board Members are to take charge of the said Public Service District and to conduct and manage the same in the manner provided by law.

All of which is accordingly ordered and adjudged.

Entered this 19th day of December, 1962.

H. D. MARTIN

CLYDE J. WRIGHT

JOHN L. GILL

County Commissioners of
Marion County, W. Va.

Marion County Commission

Office of the Commissioners:
200 Jackson Street • Room 403 • Fairmont, West Virginia 26554 • (304) 367-5400 • Fax (304) 367-5431



July 26, 2006

Mr. Eugene M. Sapp
1097 Levels Road
Fairmont, WV 26554

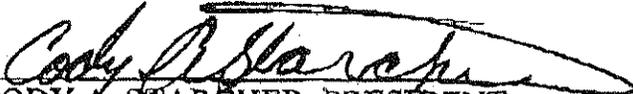
Dear Mr. Sapp:

The Marion County Commission in regular session on July 26, 2006, appointed you to serve as a member of the Valley Falls Public Service District. Your term will expire July 1, 2008.

The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County.

We extend to you our best wishes and full cooperation for a successful tenure.

MARION COUNTY COMMISSION


CODY A. STARCHER, PRESIDENT


ALAN PARKS, COMMISSIONER


RANDY ELLIOTT, COMMISSION

Marion County Commission

JAMES E. SAGO
Commissioner and President

CODY A. STARCHER
Commissioner

ALAN L. PARKS
Commissioner

SHARON JONES SHAFFER
County Administrator



Address Correspondence to:

200 JACKSON STREET • ROOM 403
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

July 9, 2004

Mr. James Kevin Quinn
Rt. 6, Box 326-D
Fairmont, WV 26554

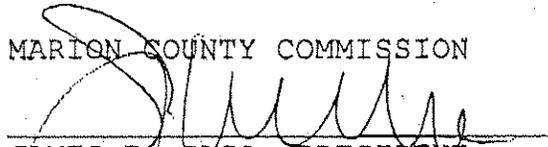
Dear Mr. Quinn:

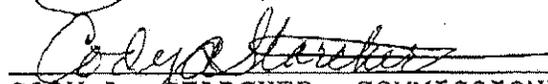
The Marion County Commission in regular session on July 9, 2004, appointed you to the Valley Falls Public Service District. Your term will expire on July 1, 2010.

The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County. Please stop by the County Clerk's Office to be sworn in.

We extend to you our best wishes and full cooperation for a successful tenure.

MARION COUNTY COMMISSION


JAMES E. SAGO, PRESIDENT


CODY A. STARCHER, COMMISSIONER


ALAN L. PARKS, COMMISSIONER

MCC/sad

CC: County Clerk
Valley Falls PSD

Marion County Commission

JAMES E. SAGO
Commissioner and President

CODY A. STARCHER
Commissioner

ALAN L. PARKS
Commissioner

SHARON JONES SHAFFER
County Administrator



Address Correspondence to:

200 JACKSON STREET • ROOM 403
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

March 19, 2004

Mr. John David Paugh
Rt. 6, Box 177
Fairmont, WV 26554

Dear Mr. Paugh:

The Marion County Commission in regular session on March 19, 2004, appointed you to the Valley Falls Public Service District to replace Virgil Lee Smith, who resigned. Your term will expire on July 1, 2008.

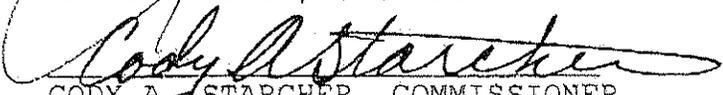
The Commission is pleased you have accepted this responsibility to provide service to all the residents of Marion County. Please stop by the County Clerk's Office to be sworn in.

We extend to you our best wishes and full cooperation for a successful tenure.

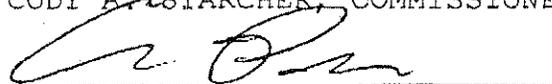
MARION COUNTY COMMISSION



JAMES E. SAGO, PRESIDENT



CODY A. STARCHER, COMMISSIONER



ALAN L. PARKS, COMMISSIONER

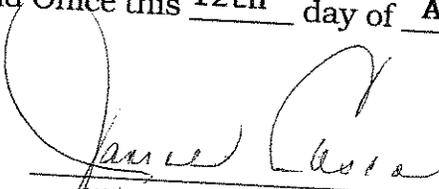
MCC/sad

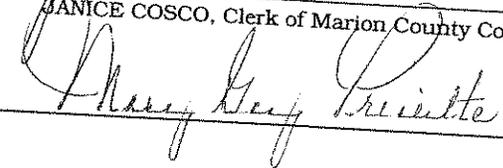
CC: County Clerk
Valley Falls PSD

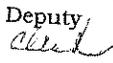
STATE OF WEST VIRGINIA,
COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, CLERK AND RECORDER of the County Commission of Marion
County, in the State of West Virginia, do hereby certify that the foregoing writing is a true
and accurate copy as appears of record in my office in Police & Fiscal
_____ Book No. 61 at Page 177 of said record.

Given under my hand and Seal of said Office this 12th day of April,
2006.



JANICE COSCO, Clerk of Marion County Commission


Deputy


**MARION COUNTY COMMISSION
COUNTY COURT
July 9, 2004**

The Marion County Commission sat in regular session pursuant to its adjournment on Wednesday, July 7, 2004. Present were President James Sago, Commissioner Cody Starcher, and Commissioner Alan Parks, all of the Commissioners of said County Commission.

The proceedings of Friday, July 2, and Wednesday, July 7, 2004, together with those had and done under the supervision of Janice Cosco, Clerk and Recorder of the Marion County Commission, on Tuesday, July 6, and Thursday, July 8, 2004, were read in Open Court, approved and signed.

President Sago called the meeting to order. The minutes of Friday, July 2, and Wednesday, July 7, 2004, were read and approved as read.

Let the record note, James Priester, Assessor, presented to the County Commission the following Exoneration's for approval:

**Nos. 12,333 through 12,430
Dated July 7, 2004**

Pursuant to the recommendation of James Priester, Assessor, and approval of Susan Riffle, Prosecuting Attorney, Commissioner Starcher moved the President be authorized to sign Exoneration nos. 12,333 through 12,430. Commissioner Parks seconded. President Sago concurred.

For the record, Circuit Clerk Barbara Core has presented to the County Commission, pursuant to West Virginia Code 59-1-37, an interest bearing account that has earned \$600.02 from June 2003 through May 2004. Ms. Core will continue to deposit the Circuit Clerk's monies into an interest bearing account. To date, the amount that has been turned over to the General County Fund is \$48,266.24.

Lisa Campbell, Director of the Marion County Purchasing Division, was present before the County Commission with a quote for carpet in the County Clerk's Bookkeeping Department. This request is due to the existing carpet being cut and temporarily removed for the Marion County Courthouse Plumbing & Electrical Restoration Project.

<i>East Side Floor & Wall Fairmont, WV</i>	<i>Refused to Quote</i>
<i>Wholesale Carpet Fairmont, WV</i>	<i>\$1,344.00</i>
<i>Custom Carpet Fairmont, WV</i>	<i>Refused to Quote</i>

MARION COUNTY COMMISSION

Page 2

Mrs. Campbell is requesting Wholesale Carpet at a cost of \$1,344.00 installed with assistance. Funding for this request will be through the Building Fund Courthouse Building Repair Line (022-424-215-00).

Commissioner Starcher moved the County Commission purchase carpet from Wholesale Carpet for the Bookkeeping Department at a cost of \$1,344.00 installed with assistance. Funding for this request will be through the Building Fund Courthouse Building Repair Line (022-424-215-00). Commissioner Parks seconded. President Sago concurred.

For the record, July allocations for the Marion County Commission Central Fuel Facility was purchased on July 2, 2004, from low bid Bruceton Petroleum Co., Inc. at \$1.6135 cents per gallon for a total cost of \$4,840.50 including tax.

Chris McIntire, Assistant Director of the Marion County Central Communications, was present before the County Commission to request permission from the County Commission to move forward on the purchase of a 133.8 foot self supporting tower constructed in 1995, a 12' x 20' masonry building, 15 kilowatt generator and three acres of land. Mr. Richard Ellis has advised Mr. McIntire that a short-term lease will be provided for the tower until the purchase contract has been completed. Verizon is requiring \$12,000.00 down and the remaining \$108,000.00 upon execution of the contract.

Commissioner Starcher moved the County Commission allocate \$12,000.00 toward the purchase of a 133.8 foot self supporting tower from Verizon for the Marion County Central Communications contingent on the contract being approved by County Attorney Fran Whiteman. Funding for this request will be through the Emergency Communications 911 Fund. Commissioner Parks seconded. President Sago concurred.

The County Commission has received a letter from the Department of Military Affairs and Public Safety Office of Emergency Services an acknowledged receipt and acceptance of the Fiscal Year 2004 Department of Homeland Security Grants. The County Commission has received four grants, which require the signature of the Commission President. The first grant is for the Law Enforcement Terrorism Prevention Program in the amount of \$254,950.00, Homeland Security Planner Program in the amount of \$50,000.00, Citizen Corps Grant Program in the amount of \$10,000.00, and the Emergency Operations Center Program in the amount of \$30,000.00.

Commissioner Starcher moved the Commission President be authorized to sign the grant documents acknowledging acceptance of the award and the conditions for the FY2004 Department of Homeland Security Grants. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION

Page 3

The County Commission has received a Court Security Fund Grant from the Division of Criminal Justice Services in the amount of \$40,000.00. A Resolution has been prepared authorizing the Commission President to enter into a contractual agreement with the Division of Criminal Justice Services to receive and administer grant funds pursuant to the provisions of the Court Security Fund Grant Program and requires the signatures of the County Commission. The Grant Contract Agreement requires the signature of the Commission President.

Commissioner Parks moved the County Commission table this matter until a later date. Commissioner Starcher seconded. President Sago concurred.

The County Commission has received Contract Addendum #2 for the Meredith Springs/Dakota Camp Sanitary Sewer Project from Greenhorne & O'Mara, Inc. The scope of services and fee is hereby revised to perform additional work during the project inspection phase of the contract. This will include the project management and scheduling of the lateral inspections for each of the 110 customers. The Dakota/Meredith Springs Sanitary Sewer Extension Contract Addendum #2 requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Contract Addendum #2. Commissioner Parks seconded. President Sago concurred.

The County Commission has also received Change Order #3 Project No. 00SCBG0038X for the Meredith Springs and Dakota Camp Sanitary Sewer System from Jayhawk Construction, Inc. The original contract price was \$999,530.00 and, due to the change order, will be increased by \$24,306.75. The Change Order requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign Change Order #3 for the Meredith Springs and Dakota Camp Sanitary Sewer System. Commissioner Parks seconded. President Sago concurred.

The Certificate of Substantial Completion for the Meredith Springs/Dakota Camp Sanitary Sewer System between the Marion County Commission, the City of Fairmont, and Jayhawk Construction, Inc. states the date of substantial completion of the project or specified part of the project is June 1, 2004. The work to which this certificate applies has been inspected by authorized representatives of the owner, contractor, and engineer and declared to be substantially completed. The certificate requires the signature of the Commissioner President.

Commissioner Starcher moved the Commission President be authorized to sign the Certificate of Substantial Completion. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION**Page 4**

The County Commission has taken applications for a thirty-day period for a term that has expired on the Valley Falls Public Service District. Two applications have been received for the new term that will expire July 1, 2010.

Commissioner Starcher moved the County Commission appoint James Quinn to the Valley Falls Public Service District for the new term that will expire July 1, 2010. Commissioner Parks seconded. President Sago concurred.

Karen Gribben, President of the League of Women Voters of Marion County, was present along with other members of the Marion County Chapter to make comments on the voting procedures in Marion County.

Marion County League of Women Voters
326 Cole Street
Fairmont, West Virginia
July 9, 2004

Marion County Commission
Marion County Court House
Fairmont, West Virginia

Gentlemen:

The Marion County Chapter of the League of Women Voters appears before you so we might comment on the voting procedures in Marion County. We have no doubt that this Commission wants a voting system which will ensure integrity and voter confidence in our elections.

We understand this Commission is considering the use of electronic voting machines that would be installed throughout Marion County at our polling places for the November 2004 elections.

The Marion County Chapter of the League of Women Voters urges the Commission to determine that any voting system and equipment used in Marion County be one that is secure, accurate, re-countable and accessible. Our emphasis is on a system that would lend itself to re-counting.

This League supports the WV Secretary of State who has recommended that a voter-verified paper ballot be a system requirement. It should be noted that a paper back-up feature is essential for recovering voters' intents if a recount is necessary. Such a feature is key to maintaining public confidence in our voting system.

If the County Commission can not, at this point, assure that Marion County will have an electronic system which is secure, accurate, re-countable we suggest that the use of the paper ballots be continued until this criteria can be achieved.

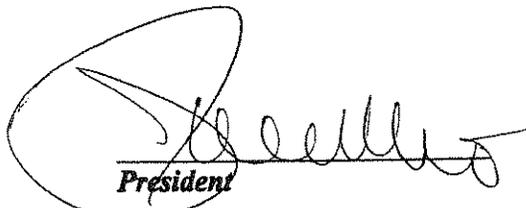
When Marion County adopts electronic voting machines they should be ones that will produce an audit able paper trail. There is no re-countable system without a paper printout. There is no re-countable system without a voter-verified paper ballot.

In brief, we advise, if the proper electronic voting equipment is not available, it would be better to follow the "old paper ballot system" one more time.

Gentlemen, thank you for allowing us to present these views. Thank you for your attention to this matter.

Karen S. Gribben, President

There being no further business to come before the County Commission, it is ordered this Commission do now recess until Wednesday, July 14, 2004, at 10:00 a.m.

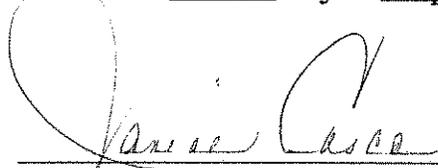

President

STATE OF WEST VIRGINIA,

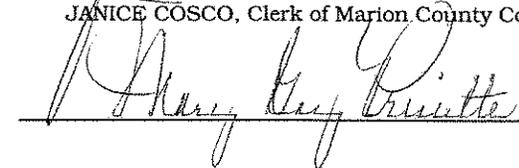
COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, CLERK AND RECORDER of the County Commission of Marion County, in the State of West Virginia, do hereby certify that the foregoing writing is a true and accurate copy as appears of record in my office in Police & Fiscal _____ Book No. 61 at Page 020 of said record.

Given under my hand and Seal of said Office this 12th day of April, 2006.



JANICE COSCO, Clerk of Marion County Commission



Deputy
Clerk

**MARION COUNTY COMMISSION
COUNTY COURT
March 19, 2004**

The Marion County Commission sat in regular session pursuant to its adjournment on Wednesday, March 17, 2004. Present were President James Sago, Commissioner Cody Starcher, and Commissioner Alan Parks, all of the Commissioners of said County Commission.

The proceedings of Wednesday, March 17, 2004, together with those had and done under the supervision of Janice Cosco, Clerk and Recorder of the Marion County Commission, on Thursday, March 18, 2004, were read in Open Court, approved and signed.

President Sago called the meeting to order. The minutes of Wednesday, March 17, 2004, were read and approved as read,

Let the record note, James Priester, Assessor, presented to the County Commission the following Exoneration's for approval:

**Nos. 12,122 through 12,138
Dated March 17, 2004**

Pursuant to the recommendation of James Priester, Assessor, and approval of Susan Riffle, Prosecuting Attorney, Commissioner Starcher moved the President be authorized to sign Exoneration nos. 12,122 through 12,138. Commissioner Parks seconded. President Sago concurred.

Circuit Clerk Barbara Core was present before the County Commission with the recommendation of the Emergency Absentee Voting Ballot Commissioners for the Primary Election. Ms. Core will need two sets of Commissioners, each consisting of one Democrat and one Republican. The names being submitted are Leslie Donaldson, Yolanda Napple, Lea Kisner, and Wayne Stutler. Each person will be compensated for expenses in the same manner as Commissioners of Election for each appearance they make.

Commissioner Starcher moved the County Commission appoint Leslie Donald, Yolanda Napple, Lea Kisner, and Wayne Stutler as the Emergency Absentee Voting Ballot Commissioners for the Primary Election. Commissioner Parks seconded. President Sago concurred.

The Marion County Democratic Executive Committee and the Marion County Republican Executive Committee submitted a partial list of Election Officials to work in the precincts for the Primary Election to be held May 11, 2004.

Commissioner Starcher moved the County Commission approve the partial list of Democratic and Republican poll workers for the Primary Election and also the list that was previously received. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION**Page 2**

A Class II Legal Advertisement has been prepared for the Sealed Bid Proposals for the 190' Self Supporting (911) Communications Tower. The advertisement will appear in the Times West Virginian on Wednesday, March 24, and Wednesday, March 31, 2004, and requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Class II Legal Advertisement. Commissioner Parks seconded. President Sago concurred.

The County Commission has received a request from Carolyn Ledsome, Director of the Marion County Central Communications, to hire a part-time dispatcher at the Central Communications. Ms. Ledsome would like the County Commission to consider hiring Edward Queen at a starting salary of \$6.50 per hour without benefits and a start date of March 22, 2004. A reference and criminal history check has been completed with satisfactory results.

Commissioner Starcher moved to lay this over until a later day. Commissioner Parks seconded. President Sago concurred.

Richard Walton, County Planner, has forwarded a Payment Requisition Form Invoice Number 4 from the City of Fairmont for the Dakota/Meredith Springs Sewerage Project in the amount of \$75,007.00. All the construction money has been expended out of the Small Cities Block Grant and this will be a draw down from the Sanitary Sewer System money. The period covered by this request is from February 14, to March 13, 2004, and requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Payment Requisition Form Invoice Number 4 for the Dakota/Meredith Springs Sewerage Project. Commissioner Parks seconded. President Sago concurred.

The County Commission has received the Governor's Community Partnership Grant Program Financial Report Request for Payment Project Number 02CPGP003 for the Marion County Parks & Recreation Soccer Pavilion Project in the amount of \$2,305.32. The period covered by this document is from February 10, to February 20, 2004. The Financial Report Request for Payment requires the signature of the Commission President.

Commissioner Starcher moved the Commission President be authorized to sign the Governor's Community Partnership Grant Program Financial Report Request for Payment for the Marion County Parks and Recreation Soccer Pavilion Project. Commissioner Parks seconded. President Sago concurred.

MARION COUNTY COMMISSION

Page 3

The County Commission has received correspondence from Thomas Carpenter, Chief Probation Officer, regarding the Multi-County Community Corrections Planning Committee meetings. The program is being designed to provide alternative sentencing options to Magistrates as well as the Circuit Courts, it will also provide alternatives to pre-trial detainment's, both of which will bring savings to the participating counties in the way of Regional Jail costs. Monongalia County is the lead-county in this effort and will hold a meeting at which time the request for official approval will be made. Mr. Carpenter is requesting the County Commission make a decision as to its participation in this program both financially as well as through its available resources. The committee is requesting a 10% cash match from each of the major counties, which will be \$10,000.00.

Commissioner Parks moved the County Commission sign a letter to the Monongalia County Commission pledging support of this program financially. Commissioner Starcher seconded. President Sago concurred.

The County Commission will need to make an appointment to the Valley Falls Public Service District to replace Virgil Lee Smith who resigned. The new term will expire July 1, 2008.

Let the record note, the County Commission has received a written notice of resignation from Virgil Lee Smith.

Commissioner Starcher moved the County Commission appoint John David Paugh to the Valley Falls Public Service District for a term that will expire July 1, 2008. Commissioner Parks seconded. President Sago concurred.

There being no further business to come before the County Commission, it is proceeded with the following Public Hearing for Budget Requests from outside agencies.

**PUBLIC HEARING
BUDGET REQUESTS FROM OUTSIDE AGENCIES
MARCH 19, 2004 - 10:30 AM**

Marion Regional Development Corporation - (Charlie Reese) Requesting \$30,000.00.

Operation Image - (Kevin McClung) Requesting \$2,000.00 for the moving and landscaping of the interstate and interchanges at South Fairmont and 310.

Marion County Teen Court - (Jessica Allen) Requesting \$11,000.00 to supplement salaries, which will enable the Teen Court to continue.

MARION COUNTY COMMISSION

Page 4

Vincent Cemetery – (Brenda Brock) Requesting \$1,500.00 to purchase a building and repair a chain link fence. The cemetery survives solely on donations.

Marion County Parks and Recreation Commission – (Alan Ice and Dan Talbott) Requesting \$95,000.00 to upgrade the Marion County Park System: paving at Mary Lou Retton Park, improvements to Wav Tec pool, and improvements to the East Marion Park.

Tri-County Horseshoe Club – (Tony Michalski) Requesting \$3,000.00 for the Annual Head-of-the-Mon-River Horseshoe Tournament.

Woodlawn Cemetery – (Arlene Decker) – Requesting \$15,000.00 to finish top of building: office supplies, bathroom, handicapped entrance, furnace upstairs, and office equipment.

West Augusta Historical Society – (Olive Marie Utt) Requesting \$2,000.00 to have the barn painted and the purchase and installation of a lighting rod.

Marion County Rescue Squad – (Lloyd White) Requesting \$34,000.00 to purchase a new ambulance.

Marion County Health Department – (Lloyd White) Requesting \$60,000.00 to continue to provide quality service to the citizens who otherwise would not have access to quality healthcare.

Sobrania, Inc. – (Sheila Skidmore) Requesting \$600.00 to be used to purchase materials to build a new garbage bin.

Main Street Fairmont – (Patty Pitrolo) Requesting \$10,000.00 to continue the work Main Street provides for the community.

Hope Inc. – (Harriet Sutton) Requesting \$5,000.00 for general operating budget.

Prickett's Fort – (Melissa Dobbins) Requesting \$5,000.00 for Prickett's Fort's Art in the Park 2005 Summer Series.

Rivesville Concerned Citizens – (Dave Sapp and Bill Barth) Requesting \$2,497.41 to purchase an ice maker, griddle, three bowl sink, and stand to place the griddle on for the Rivesville Community Building.

OIC's Children's Learning Center – (Mickey Cutlip) Requesting \$2,000.00 to help with reimbursement for the days the children do not attend the center.

Worthington Volunteer Fire Department – (Kim Thompson) Request to help with the funding to build a new fire hall.

MARION COUNTY COMMISSION

Page 5

Marion County Vietnam Veterans – Requesting \$15,000.00 to pay off outstanding bills and help obtain grant money.

Central United Methodist Church – (D. D. Meighan) Requesting funding to help with the costs of presenting the Father's Day Play.

Alzheimer's Association – Requesting \$4,200.00 to help assist in providing services to more than 1650 Alzheimer families in Marion County.

Benedum Airport Authority – Requesting \$25,000.00 for airport operations.

Buffalo Valley Association, Inc. – Requesting \$10,000.00 for recreational maintenance and expenses.

The Connecting Link, Inc. – Requesting \$6,000.00 to provide financial assistance for area residents.

Fairmont Renaissance Corporation – Requesting \$25,000.00 for economic development, redevelopment, adaptive reuse, and infill project.

Fairmont State College – Requesting \$1,500.00 for the 2004 West Virginia Brass Academy Concert.

Farmington Volunteer Fire Department – Requesting \$3,600.00 for air packs for fire rescue personnel.

Mannington Main Street, Inc. – Requesting \$20,000.00 for the resurfacing and painting of a public parking lot.

Marion County Historical Society – Requesting \$6,000.00 for operating expenses.

Marion County Humane Society – Requesting \$60,000.00 for general operating expenses.

Marion County Project Graduation – Unspecified

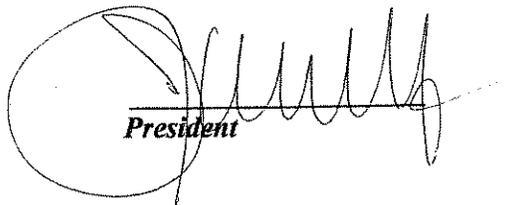
National Cancer Survivor's Day – Requesting \$1,500.00 to sponsor the Sharing & Caring Cancer Support Group.

Three Rivers Festival – Requesting \$3,300.00 for financial support for tour program and Civil War Re-enactors.

Veterans Honor Classic – Street Peoples Running Club – Requesting \$2,500.00 for sponsorship of the Classic 5K Run/Walk.

There being no further business to come before the County Commission, it is ordered this Commission do now recess until Wednesday, March 19, 2004, at 10:00 a.m.

MARION COUNTY COMMISSION
Page 6



President

**MARION COUNTY COMMISSION
COUNTY COURT
NOVEMBER 22, 2000**

The Marion County Commission sat in regular session, pursuant to its adjournment on Friday, November 17, 2000. Present were President Cody Starcher and Commissioner James Sago, two of the Commissioners of said County Commission.

The proceedings of Friday, November 17, 2000, together with those had and done under the supervision of Janice Cosco, Clerk and Recorder of the Marion County Commission, on Monday, November 20, and Tuesday, November 21, 2000, were read in Open Court, approved and signed.

President Starcher called the meeting to order. The minutes of Friday, November 17, 2000, were read and approved as read.

James P. Priester, Assessor of Marion County, has requested from the County Commission permission to purchase a new printer. It was recommended by the Systems Analyst to purchase an Epson 900 Stylus color printer at \$219.00. This will be charged to the General Fund, Data Processing Equipment Line.

Commissioner Sago moved that pursuant to the request of James Priester, Assessor, the County Commission purchase an Epson 900 Stylus color printer at the cost of \$219.00 to be charged to the General Fund, Data Processing Equipment Line. President Starcher seconded. The motion carried.

The Board of the Marion County Senior Center, Inc. has signed a Memorandum of Understanding between the Marion County Senior Center, Inc. and the Marion County Commission Small Cities Block Grant. The Resolution that the Commission would pass would authorize the Commission President to sign the Memorandum of Understanding. The Marion County Commission is in receipt of a Small Cities Block Grant to assist in the funding of a Senior Citizens Center in the Mannington area of Marion County.

MARION COUNTY COMMISSION
PAGE 2

Marion County Commission

CODY A. STARCHER
Commissioner and President

JAMES E. SAGO
Commissioner

CECILY M. ENOS
Commissioner

SHARON J. SHAFFER
County Administrator



Address Correspondence to:
200 JACKSON STREET
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

RESOLUTION

WHEREAS, the Marion County Commission is in receipt of a Small Cities Block Grant to assist in the funding of a Senior Citizens Center in the Mannington area of Marion County; and

WHEREAS, it is in the best interest of the Marion County Commission and the Marion County Senior Citizens, Inc. to enter into a written agreement with one another for joint and cooperative action pursuant to the terms and conditions provided by law for the completion of the Senior Citizens Center in the Mannington area of Marion County; and

NOW, THEREFORE, BE IT RESOLVED, that the Marion County Commission authorizes the signing of the Memorandum of Understanding with the Marion County Senior Citizens, Inc.; and

FURTHER BE IT RESOLVED that the Marion County Commission authorizes its President, Cody A. Starcher, to sign said Memorandum of Understanding.

ADOPTED by the Marion County Commission at its regular meeting this 22nd day of November 2000.

MARION COUNTY COMMISSION

Cody A. Starcher
CODY A. STARCHER, PRESIDENT

James E. Sago
JAMES E. SAGO, COMMISSIONER

Cecily M. Enos
CECILY M. ENOS, COMMISSIONER

ATTEST:
Janice Cosco
JANICE COSCO, COUNTY CLERK

Commissioner Sago moved that the County Commission approve the Resolution. President Starcher seconded. The motion carried.

The County Commission has announced a vacancy on the Valley Falls Public Service District. The County Commission has received five applications: James Stewart, Virgil Smith, Richard Ice, Shawn Metz, and Eugene Sapp. President Starcher stated that Mr. Sapp has served for four years which was not a full term.

President Starcher moved that the County Commission reappoint Eugene Sapp to the Valley Falls Public Service District for a six-year term. His

MARION COUNTY COMMISSION
PAGE 3

term will expire July 1, 2006. Commissioner Sago seconded. The motion carried.

The Marion County Commission would like to offer their complete support to Susan Woods Coffindaffer, Chair, Teen Court Advisory Committee, in the endeavor to implement a teen court program in Marion County. Both Commissioner Sago and President Starcher believe that this program has been implemented in Monongalia County quite successfully. This program diverts teenagers out of the normal criminal process and it saves taxpayers money.

Marion County Commission

CODY A. STARCHER
Commissioner and President

JAMES E. SAGO
Commissioner

CECILY M. ENOS
Commissioner

SHARON J. SHAFFER
County Administrator



Address Correspondence to:
200 JACKSON STREET
FAIRMONT, WEST VIRGINIA 26554
(304) 367-5400
FAX (304) 367-5431

November 17, 2000

Susan Woods Coffindaffer, Chair
Teen Court Advisory Committee
1000 Technology Drive, Suite 2310
Fairmont, West Virginia 26554

RE: Teen Court Program for Marion County, West Virginia

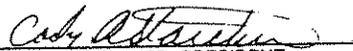
Dear Ms. Coffindaffer:

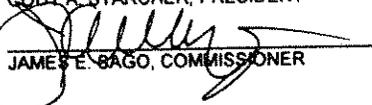
We, the Marion County Commission, would like to offer our complete support in your endeavor to implement a teen court program in Marion County.

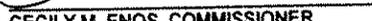
It is our understanding that the teen court program is an alternative to filing of a formal petition and disposition proceeding at the Circuit Court level. We feel that early intervention and prevention will educate youth on the impact of their actions. Teen court builds competence in youth by providing instruction on how the legal system functions and how to communicate and resolve problems with peers more effectively and provide a forum for youth to practice and develop newly developed competencies.

We understand that West Virginia Code §49-5-13d permits the Circuit Court to administer such a program, and we would like to reiterate our willingness to support this important project.

THE MARION COUNTY COMMISSION


CODY A. STARCHER, PRESIDENT


JAMES E. SAGO, COMMISSIONER


CECILY M. ENOS, COMMISSIONER

Commissioner Sago moved that the County Commission sign the letter concerning the Teen Court Program for Marion County. President Starcher seconded. The motion carried.

MARION COUNTY COMMISSION
PAGE 4

Attorney, Kevin Sansalone, is present before the County Commission with an order in regard to the Sallyfield Estates, Inc. annexation proposal. The order will provide the annexation of the 19.898 acres known as Sallyfield Estates, Inc. into the City of Fairmont.

Commissioner Sago moved that the County Commission sign the order. President Starcher seconded. The motion carried.

There being no further business to come before the County Commission, it is ordered that this Commission do now recess until Tuesday, November 21, 2000, at 7:00 p.m.


President

State of West Virginia, S.S.:

I, James Kevin Quinn, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Member of the Valley Falls Public Service District

Term to Expire: July 1, 2010

to the best of my skill and judgment. So help me God.

Subscribed and sworn to before me, James Kevin Quinn Clerk and Recorder of Marion County in and for said county, this 20th day of July, 20 04.

James Kevin Quinn
James Kevin Quinn

By: David L. H. [Signature]
[Signature]

State of West Virginia, §§:

I, EUGENE SAPP, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of
VALLEY FALLS PUBLIC SERVICE DISTRICT

to the best of my skill and judgment. So help me God.

Eugene Sapp

Subscribed and sworn to before me, JANICE COSCO, CLERK & RECORDER

in and for said county, this 31ST day of

JULY, 20 06.

Janice Cosco

State of West Virginia, S.S.:

I, John David Paugh, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Member of the Valley Falls Public Service District

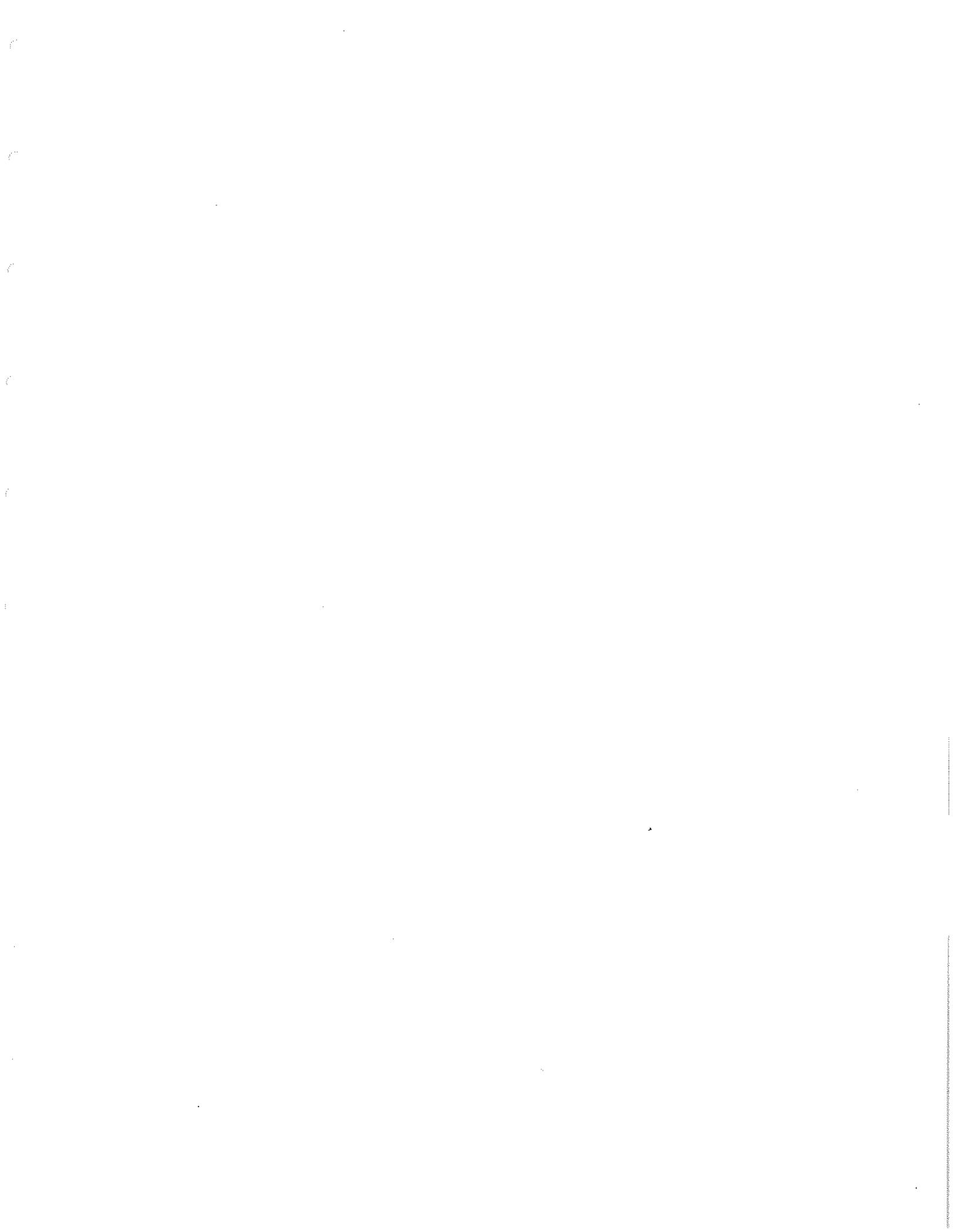
Term to expire: July 1, 2008

to the best of my skill and judgment: So help me God.

John D. Paugh
John David Paugh
Subscribed and sworn to before me, Janice Cosco, Clerk and Recorder of

Marion County in and for said county, this 9th day of April, 20 04.

Janice Cosco
Janice Cosco
By: Janice Cosco



RULES OF PROCEDURE

VALLEY FALLS PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: VALLEY FALLS PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Route 6 Box 161 East Grafton Road, Fairmont, Marion County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Valley Falls Public Service District, and in the center shall be inscribed the Corporate Seal.

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Marion County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the second Friday of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Marion County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as

soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Marion County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together

with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

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

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

Adopted this 21st day of April, 2006.

Chairman *James D. Sawyer*
Secretary *John D. Paugh*
Treas. *Ernest Mc Saffery*

04/10/06
92879

VALLEY FALLS PUBLIC SERVICE DISTRICT

Minutes of
April 21, 2006
~~Special~~ Board Meeting
12:30 p.m.

The Valley Falls Public Service District March special Board meeting was called to order by Chairman, James Quinn, on April 21, 2006, at 1:00 p.m. The meeting was held at the VFPSD office in Fairmont, West Virginia. The following Board members and guests were in attendance:

MEMBERS

James Quinn, Chairman

Eugene Sapp, Treasurer

John Paugh, Secretary

STAFF

Dorman Williams, Manager

Jackie Spino, Office Manager

GUEST

Timm Utt, Burgess & Niple, Ltd.
Sheena Hunt, Region VI

The March 15, 2006 Board meeting minutes were reviewed. James Quinn made a motion to approve these minutes. Eugene Sapp seconded.

The March 29, 2006 special Board meeting minutes were reviewed. James Quinn made a motion to approve these minutes. Eugene Sapp seconded.

The treasurers' report was reviewed. Eugene Sapp made a motion to approve these reports. John Paugh seconded.

NEW BUSINESS

Karen Ice gave a presentation to Dorman Williams from the Gladys Creek extension group. She presented him with a cake, card and bouquet of flowers in appreciation of all he has done for them. She wanted the Board to know that Dorman has gone above and beyond the call of duty by helping them get water.

OLD BUSINESS

Dorman Williams presented the Board with a copy of the drawing, from Timm Utt, for the connection at Pinchgut to the City of Fairmont's line. He stated that Timm needs to get this drawing to the City of Fairmont for their approval. Dorman also reported that the

Valley Falls PSD April 2006 Board meeting minutes reviewed

valve at Jungle wood is installed and within the next weeks he will get hold of Bunner Contracting about installing meter pit and PRV.

Timm Utt gave the Board a copy of his letter to Jarrod Devault certifying the number of easements needed at this time. Jarrod had requested this letter from Timm. He needs a number of easements needed in order to confirm the 80% to the IJDC.

Jackie Spino called Jarrod to let him know that this letter had been delivered to him via email. Jarrod had stated by speaker phone that he had received this letter via email. Timm Utt let him know that a copy of the project plans would be dropped off to his office by the days end. Jarrod asked for a clean copy of the right-of-list for him to review. He wants to sit down with this clean list and compare with what he has done and check the number recorded with the number on this list. Jarrod, Dorman and Sheena will meet Wednesday April 26 at 4:00 pm to go over this list and make notes as to what needs to be done to finish to 100%. Once this meeting is has taken place, Jarrod stated that he can write the letter certifying the 80% and get it to the IJDC for review within the week.

Dorman Williams stated that we have a two parcel easement that VFPSD needs to acquire from Carl Hinerman. Mr. Hinerman has stated that he would like \$2,000 for this easement. Dorman reported that he has spoken with Jarrod about this particular easement and he is suggesting that we offer to purchase this area. The Board asked Dorman to discuss this further with Jarrod at the Wednesday meeting.

Dorman Williams reported that the lawn service will increase this year from \$35 to \$50 a cutting. James Quinn made a motion to approve this increase. Eugene Sapp seconded.

Dorman reported that Doug needs new shirts and that he would like to purchase shirts for the part-time help. The Board approved this.

Jackie Spino presented a copy of a quote for a color copier. This price includes trading in the current copier for a refurbished color copier. The Board asked Jackie to get prices from Staples and other companies to compare this quote to.

Dorman asked the Board to approve training for Doug Martin at the Environmental Training Center to certify him on Backflow prevention. Dorman stated that this class is for a week. James Quinn made a motion to approve. Eugene Sapp seconded.

Katy Mallory from Steptoe and Johnson sent the Board a copy of Rules of Procedures for them to review. These rules needed to be approved and put into the bylaws for VFPSD. James Quinn made a motion to approve these rules. John Paugh seconded.

Timm Utt reported to the Board that he needs to get a new amendment of the contract to the Board for their approval for the changes made. James Quinn asked Timm Utt to explain all these amendments. Timm Utt stated that the contract with Burgess and Niple, Ltd. only covered for services up to the Health Department permit. He stated that they have gone beyond these services and an amendment needs to be made to cover all these

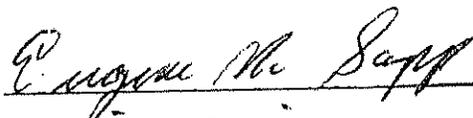
Valley Falls PSD April 2006 Board meeting minutes continued

changes. Timm Utt stated that he will have a draft amendment drawn up for the Board to approve.

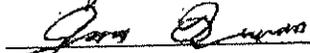
Timm Utt stated that he will be leaving a copy of the plans that are up to date for Valley Falls PSD to review. If there are to be any changes these need to be made before these plans are made available to the contractors.

Next scheduled regular Board meeting will be May 12, 2006 at 12:30 pm.

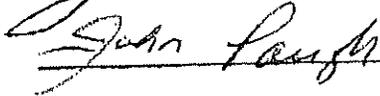
James Quinn moved to adjourn the meeting. Eugene Sapp seconded.



Eugene Sapp, Treasurer



James Quinn, Chairman



John Paugh, Secretary

COMMISSION OF WEST VIRGINIA CHARLESTON
CASE NO: 05-0633-PWO-CN
VALLEY FALLS PUBLIC SERVICE DISTRICT
public utility, Fairmont Marion County. Application for a certificate of convenience and necessity to construct certain additions and improvements to its existing water distribution system and for approval of the financing thereof, and for approval of a revised Water Purchase Contract with the City of Fairmont.
NOTICE OF HEARING
By Recommended Decision issued August 23, 2006, which became a final Order of the Commission on September 12, 2006, the Commission granted the Valley Falls Public Service District a certificate of convenience and necessity to construct certain additions and improvements to its existing waterworks distribution facilities. The Order also approved: (1) related financing, including a WVJDC loan in the amount of \$3,920,700, for a term of thirty-two (32) years, at 0% interest; (2) revisions to the water purchase contract by and between the district and the City of Fairmont; and (3) increased rates and charges of approximately 27%.
On September 12, 2006, the District filed a petition to reopen this proceeding. The District stated that bids for the project were in excess of the loan amount. The District estimated the cost of construction to be approximately \$4,678,315. To meet the funding shortfall, the District obtained a commitment for additional loan funds from WVJDC in the amount of \$957,615. Bids would expire on November 6, 2006. To meet the new debt service amounts, the District requested a larger rate increase.
A public protest hearing in this matter has been scheduled to be held on November 14, 2006, in the Fairmont City - County Complex Council Chambers, J. Harper Meredith Building, Room 303, 200 Jackson Street, Fairmont, West Virginia 26554, to commence at 10:00 am at which time and place the parties and all interested persons may appear and make such statements in favor of or in opposition to the proposed rate increase as may be deemed appropriate.
VALLEY FALLS PUBLIC SERVICE DISTRICT
Fairmont City, County Complex Council Chambers J. Harper Meredith Building, Room 303, 200 Jackson Street, Fairmont, West Virginia 26554.
ORDER
IT IS THEREFORE ORDERED, that a protest hearing in these matters be, and hereby is, scheduled for 10:00 a.m., on November 14, 2006, in the Fairmont City - County Complex Council Chambers, J. Harper Meredith Building, Room 303, 200 Jackson Street, Fairmont, West Virginia 26554.
IT IS FURTHER ORDERED THAT the Valley Falls Public Service District cause to be published on or before November 2, 2006, a copy of the attached Notice of Hearing in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, West Virginia, making due return to the Commission of a proper affidavit of publication on or before November 14, 2006.
IT IS FURTHER ORDERED THAT a transcript of the hearing be prepared and filed with the Commission no later than November 28, 2006.
IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties to this proceeding by United States Certified Mail, return receipt requested, and upon Commission Staff by hand delivery. Additionally, the Executive Secretary shall serve a copy of this Order upon counsel for the District by facsimile transmission.
John F. Carter
Administrative Law Judge

AFFIDAVIT OF PUBLICATION

006594

State of West Virginia

County of Marion, to wit:

I, Beverly A. Miller, being first duly sworn upon my oath,

do dispose and say that I am Legal Clerk of the **TIMES WEST VIRGINIAN** a corporation, publisher of the newspaper entitled the **TIMES WEST VIRGINIAN** 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 except Saturday and Sunday, for at least fifty weeks during the calendar year, in the Municipality of Fairmont, Marion 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 aforementioned municipality and Marion County; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial or social nature, and for current happenings, announcements, miscellaneous reading matter, advertisements and other notices.

that the annexed notice of _____ was duly published in said

newspaper once day for 1 successive day (Class I), commencing with

the issue of the 2 day of November, 2006, and ending with the issue of the 2

day of November, 2006, and was posted at the front door of the Marion County Courthouse on

the 2 day of November, 2006; that said annexed notice was

published on the following dates: November 2, 2006

and the cost of publishing said annexed notice as aforesaid was \$ 126.41

Taken, subscribed and sworn to before me in said county this 7 day of Nov, 2006

My commission expires Jan 24, 2010

Beverly A. Miller
Notary Public of Marion County, West Virginia
My Commission Expires on Jan 24, 2010

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

EXCERPT OF MINUTES ON ORGANIZATIONAL MEETING,
ADOPTION OF THE BOND RESOLUTION,
SUPPLEMENTAL RESOLUTION, AND FIRST DRAW

The undersigned SECRETARY of the Public Service Board of Valley Falls Public Service District, hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Valley Falls Public Service District met in special session, pursuant to notice duly posted, on the 5th day of January, 2007, in Fairmont, West Virginia, at the hour of 1:00 p.m.

PRESENT:	Chairman	-	James K. Quin
	Secretary/Treasurer	-	John David Paugh
	Member	-	Eugene M. Sapp

ABSENT: None

James K. Quin, Chairman, presided, and John David Paugh acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, upon motion duly made by Mr. Sapp and seconded by Mr. Quin, the Board held its organizational meeting for the calendar year of 2007. The officers are as follows:

James K. Quin	-	Chairman
Eugene Sapp	-	Secretary/Treasurer

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

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF VALLEY FALLS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$4,878,315 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

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

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF VALLEY FALLS PUBLIC SERVICE DISTRICT; APPROVING

AND RATIFYING THE LOAN AGREEMENT
RELATING TO SUCH BONDS AND THE SALE AND
DELIVERY OF SUCH BONDS TO THE
WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY; DESIGNATING A REGISTRAR,
PAYING AGENT AND DEPOSITORY BANK; AND
MAKING OTHER PROVISIONS AS TO THE BONDS.

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

Next, the Chairman presented a proposed Resolution in writing entitled:

RESOLUTION OF THE BOARD OF VALLEY
FALLS PUBLIC SERVICE DISTRICT APPROVING
INVOICES RELATING TO THE CONSTRUCTION
AND OTHER SERVICES FOR THE PROPOSED
WATER PROJECT AND AUTHORIZING PAYMENT
HERE TO

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

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

EXCERPT OF MINUTES ON ORGANIZATIONAL MEETING,
ADOPTION OF THE BOND RESOLUTION,
SUPPLEMENTAL RESOLUTION, AND FIRST DRAW

The undersigned SECRETARY of the Public Service Board of Valley Falls Public Service District, hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Valley Falls Public Service District met in special session, pursuant to notice duly posted, on the 5th day of January, 2007, in Fairmont, West Virginia, at the hour of 1:00 p.m.

PRESENT: Chairman - James K. Quin
 Secretary/Treasurer - John David Paugh
 Member - Eugene M. Sapp

ABSENT: None

James K. Quin, Chairman, presided, and John David Paugh acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, upon motion duly made by Mr. Sapp and seconded by Mr. Quin, the Board held its organizational meeting for the calendar year of 2007. The officers are as follows:

James K. Quin - Chairman
Eugene Sapp - Secretary/Treasurer

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

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF VALLEY FALLS PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$4,878,315 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

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

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF VALLEY FALLS PUBLIC SERVICE DISTRICT; APPROVING

AND RATIFYING THE LOAN AGREEMENT
RELATING TO SUCH BONDS AND THE SALE AND
DELIVERY OF SUCH BONDS TO THE
WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY; DESIGNATING A REGISTRAR,
PAYING AGENT AND DEPOSITORY BANK; AND
MAKING OTHER PROVISIONS AS TO THE BONDS.

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

Next, the Chairman presented a proposed Resolution in writing entitled:

RESOLUTION OF THE BOARD OF VALLEY
FALLS PUBLIC SERVICE DISTRICT APPROVING
INVOICES RELATING TO THE CONSTRUCTION
AND OTHER SERVICES FOR THE PROPOSED
WATER PROJECT AND AUTHORIZING PAYMENT
HERETO

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

WV MUNICIPAL BOND COMMISSION
8 Capitol Street
Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: January 12, 2007

(See Reverse for Instructions)

ISSUE: <u>Valley Falls Public Service District Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)</u>	
ADDRESS: <u>Post Office Box 477, Fairmont, West Virginia 26555</u> COUNTY: <u>Marion County</u>	
PURPOSE OF ISSUE: New Money: <u>X</u> Refunding: _____	REFUNDS ISSUE(S) DATED: _____
ISSUE DATE: <u>January 12, 2007</u>	CLOSING DATE: <u>January 12, 2007</u>
ISSUE AMOUNT: <u>\$4,878,315</u>	RATE: <u>0%</u>
1ST DEBT SERVICE DUE: <u>September 1, 2008</u>	1ST PRINCIPAL DUE: <u>September 1, 2008</u>
1ST DEBT SERVICE AMOUNT: <u>\$38,112.00</u>	PAYING AGENT: <u>Municipal Bond Commission</u>
BOND COUNSEL: <u>Steptoe & Johnson PLLC</u> Contact Person: <u>John C. Stump, Esq.</u> Phone: <u>304.353.8196</u>	UNDERWRITERS COUNSEL: <u>Jackson Kelly PLLC</u> Contact Person: <u>Samme L. Gee</u> Phone: <u>304.340.1318</u>
CLOSING BANK: <u>WesBanco Bank, Inc.</u> Contact Person: <u>Marty Ward</u> Phone: <u>304.368.5000</u>	ESCROW TRUSTEE: _____ Contact Person: _____ Phone: _____
KNOWLEDGEABLE ISSUER CONTACT Contact Person: <u>Dorman Williams</u> Position: <u>Manager</u> Phone: <u>304.363.0570</u>	OTHER: <u>WV Infrastructure and Jobs Development Council</u> Contact Person: <u>Jefferson Brady</u> Function: <u>Executive Director</u> Phone: <u>304.558.4607</u>
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 Other: \$ _____
NOTES: _____ _____ _____	
FOR MUNICIPAL BOND COMMISSION USE ONLY: DOCUMENTS REQUIRED: _____ TRANSFERS REQUIRED: _____ _____	

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

12/18/06
928790.00004

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

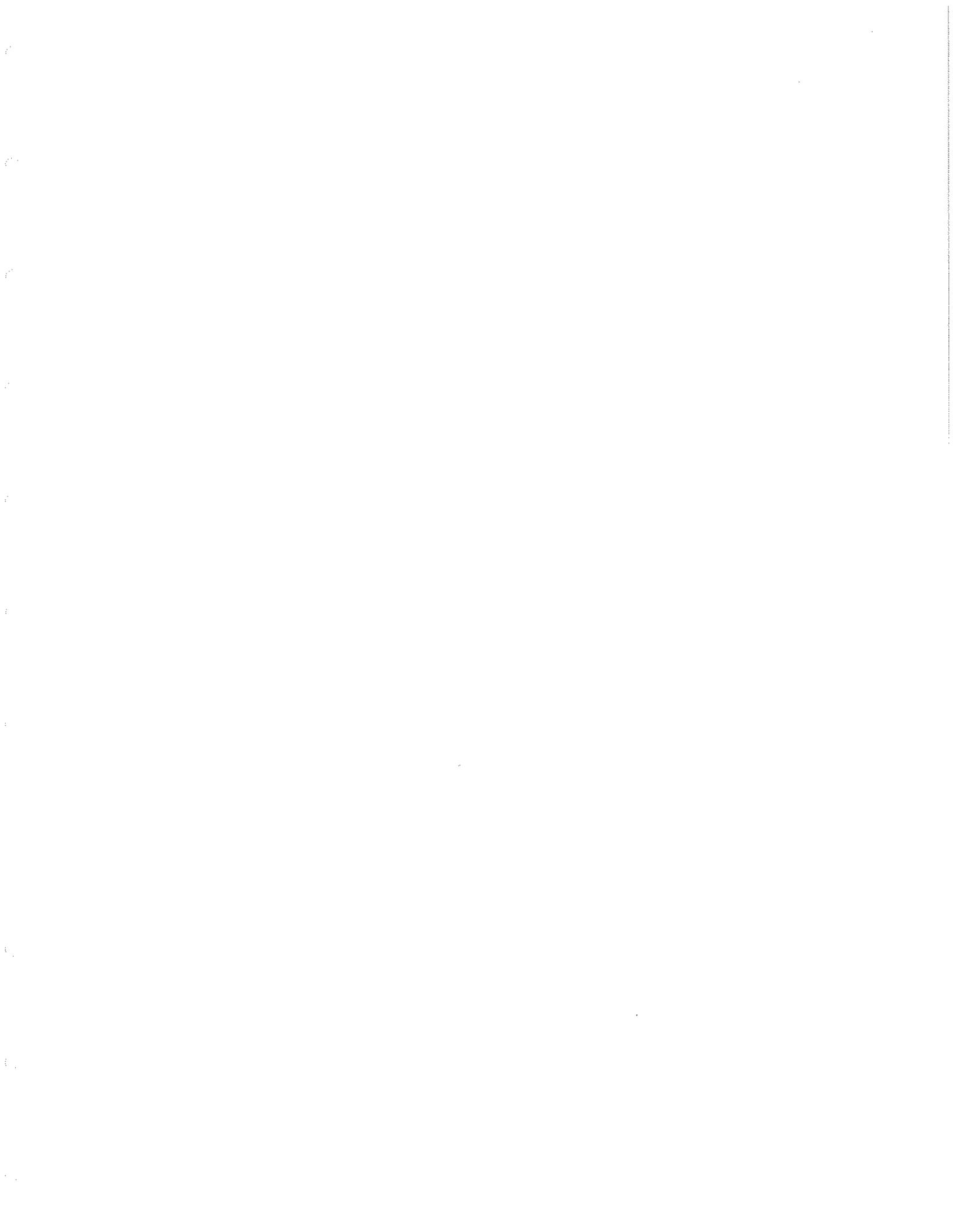
WESBANCO BANK, INC., Fairmont, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of Valley Falls Public Service District (the "Issuer") adopted January 5, 2007, and the Supplemental Resolution of the Issuer adopted January 5, 2007 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated January 12, 2007, issued in the principal amount of \$4,878,315 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 12th day of January, 2007.

WESBANCO BANK, INC.

By: 
Its: Authorized Officer

12/15/06
928790.00004



VALLEY FALLS PUBLIC SERVICE DISTRICT

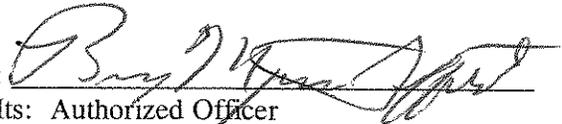
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS REGISTRAR

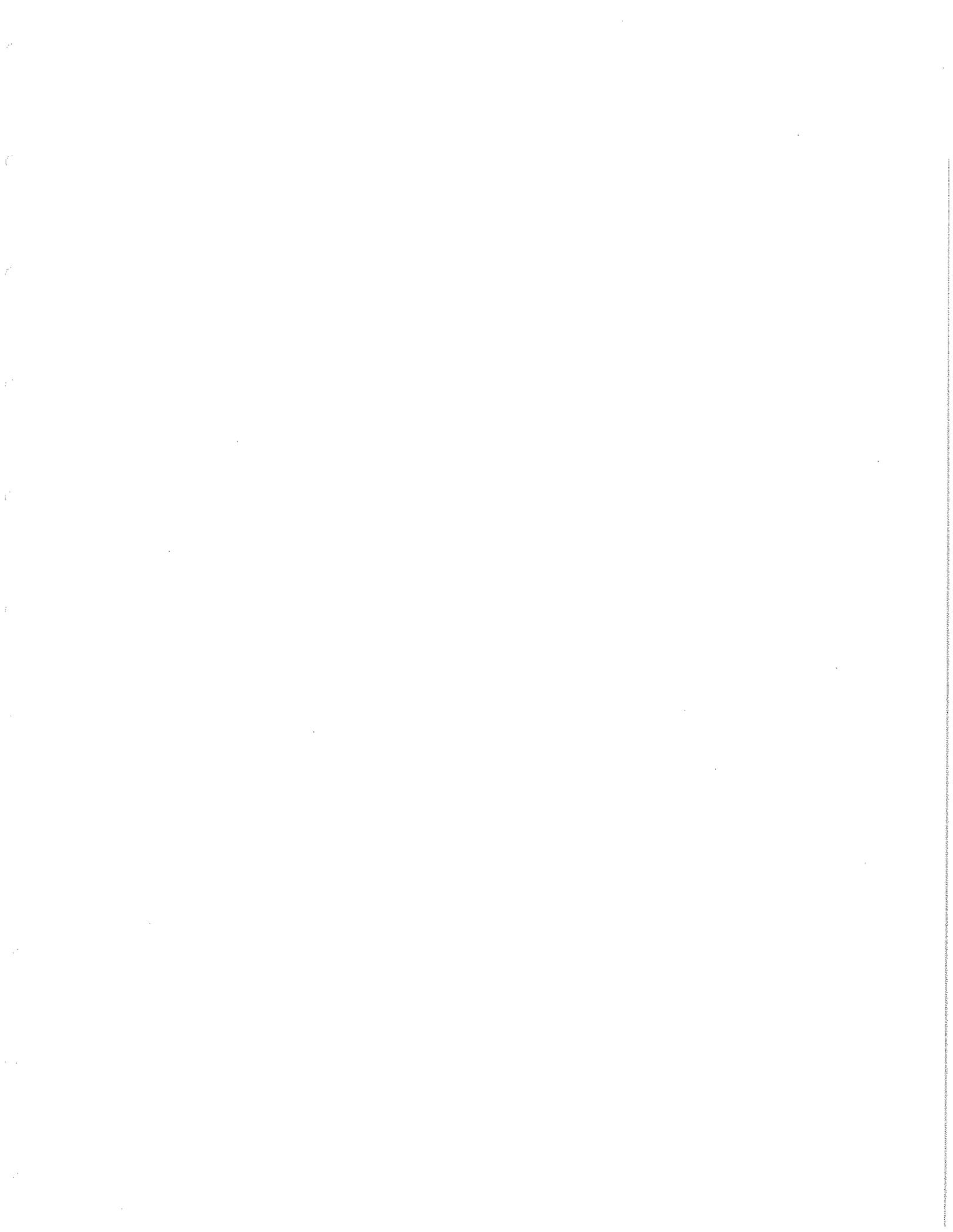
THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Valley Falls Public Service District Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated January 12, 2007, issued in the principal amount of \$4,878,315 (the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 12th day of January, 2007.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

12/15/06
928790.00004



VALLEY FALLS PUBLIC SERVICE DISTRICT

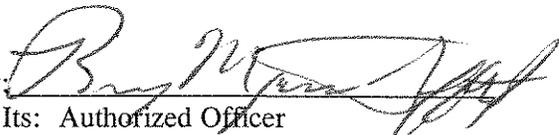
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of Valley Falls Public Service District (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Water Revenue Bond, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, dated January 12, 2007, in the principal amount of \$4,878,315, numbered AR-1, was registered as to principal only 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 The Huntington National Bank, as Registrar.

WITNESS my signature on this 12th day of January, 2007.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

12/15/2006
928790.00004

VALLEY FALLS PUBLIC SERVICE DISTRICT

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

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the January 12, 2007, by and between VALLEY FALLS PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$4,878,315 Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in fully registered form (the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted January 5, 2007, and the Supplemental Resolution of the Issuer duly adopted January 5, 2007 (collectively, the "Bond Legislation");

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

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

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

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

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

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

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

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

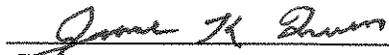
ISSUER: Valley Falls Public Service District
Post Office Box 477
Charleston, West Virginia 26555
Attn: Chairman

REGISTRAR: The Huntington National Bank
One Huntington Square
Charleston, West Virginia 25301
Attention: Corporate Trust Department

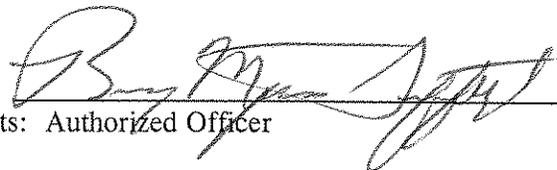
8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

IN WITNESS WHEREOF, the parties hereto 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.

VALLEY FALLS PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

12/15/06
928790.00004

EXHIBIT A

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

SCHEDULE OF COMPENSATION

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633



STATEMENT OF TRUSTEE'S FEES
Invoice Date January 12, 2007

Valley Falls Public Service District
Account Number 6089001809

Valley Falls Public Service District
Water Revenue Bonds, Series 2007 A
C/o John C. Stump
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

FEE CALCULATION FOR January, 2007

TOTAL AMOUNT	\$	500.00
TOTAL DUE	\$	<u>500.00</u>

- * FEE INVOICES ARE PAYABLE WITHIN 30 DAYS. IF PAYMENT *
- * IS NOT RECEIVED, FEES WILL BE DEDUCTED FROM THE PLAN *
- * .. MAIL CHECK TO: HUNTINGTON NATIONAL BANK, ATTN: BARRY. . *
- * .. GRIFFITH, PO BOX 633, CHARLESTON, WV 25322-0633 *

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304)348-5035

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

CAPITOL and WASHINGTON STREETS, 1 DAVIS SQUARE, SUITE 200 CHARLESTON, WEST VIRGINIA 25301
TELEPHONE 304-558-2981

PERMIT

PROJECT: (Water)
Water System Improvements

PERMIT NO.: 16,608

LOCATION: near Fairmont

COUNTY: Marion

DATE: 6-23-2005

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

Valley Falls Public Service District
Route 6, Box 161
Fairmont, West Virginia 26544

is hereby granted approval to: install approximately 37,241 LF of 8", 12,784 LF of 6", 36 LF of 4", 55 LF of 3" and 135 LF of 2" water line; add two (2) pressure reducing stations; add one (1) 250,000 gallon and one (1) 235,000 gallon water storage tanks; abandon three (3) booster stations; abandon five (5) 50,000 gallon water storage tanks; add telemetry, and all necessary valves, controls, meters and appurtenances.

Facilities are being upgraded and modified to capitalize on the recent City of Fairmont water system improvements; address current operating problems; and, to meet the future customer demands in the Valley Falls Public Service District.

NOTE:

This permit is contingent upon: 1) All new water line and water storage tanks being disinfected, flushed and bacteriologically tested, prior to use; and 2) Enclose the new 250,000 gallon and 235,000 gallon water storage tanks with a minimum six (6) feet high fence with a locking gate.

The Office of Environmental Health Services Philippi District Office, telephone (304) 457-2296, is to be notified when construction begins.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR


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

WSH:snr

pc: Burgess & Niple, Inc.
James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, PSC
Marion County Health Department
OEHS-EED Philippi District Office

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
1/3/2007

PRODUCER
Acordia
430 Drummond Street Ste 2
Morgantown, WV 26505

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

NAIC #

INSURED
Valley Falls Public Service District
P. O. Box 477
Fairmont, WV 26554

INSURER A: National Union Fire Insurance Co. of Pittsburgh

INSURER B:

INSURER C:

INSURER D:

INSURER E:

COVERAGES

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. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADDL LTR INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> WRONGFUL ACTS <input checked="" type="checkbox"/> PROFESSIONAL GENL. AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	L2734	July 1, 2006	July 1, 2007	EACH OCCURRENCE \$ 1,000,000
	DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 5				
	MED EXP (Any one person) \$ Not Applicable				
	PERSONAL & ADV INJURY \$				
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	L2734	July 1, 2006	July 1, 2007	GENERAL AGGREGATE \$ No Aggregate
	PRODUCTS - COMP/OP AGG \$ No Aggregate				
	Fire Legal 100,000				
	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000				
A	GARAGE LIABILITY <input checked="" type="checkbox"/> ANY AUTO	L2734	July 1, 2006	July 1, 2007	BODILY INJURY (Per person) \$
					BODILY INJURY (Per accident) \$
A	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				PROPERTY DAMAGE (Per accident) \$
					AUTO ONLY - EA ACCIDENT \$ 1,000,000
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				OTHER THAN EA ACC AGG \$ Not Applicable
					EACH OCCURRENCE \$
A	OTHER Automobile Physical Damage	L2734	July 1, 2006	July 1, 2007	AGGREGATE \$
	Stop Gap				L2734
					1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

A \$2500 per occurrence deductible applies to all liability coverage.

CERTIFICATE HOLDER

Wv Water Development Authority
ATTN Daniel Yonkosky
180 Association Drive
Charleston, WV 25311

AUTHORIZED AGENT

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Bob White

VALLEY FALLS PUBLIC SERVICE DISTRICT

WATER REFUNDING REVENUE BONDS, SERIES 2006 A

BOND RESOLUTION

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CERTIFICATION

VALLEY FALLS PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BONDS, SERIES 1976, OF VALLEY FALLS PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$322,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING BONDS, SERIES 2006 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF VALLEY FALLS PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Valley Falls Public Service District (the "Issuer") is a public service district and public corporation of the State of West Virginia in Marion County of said State.

B. The Issuer now owns and operates a public waterworks system. The refunding of the GMAC Bonds, as hereinafter defined, hereby authorized and provided for is a public purpose of the Issuer and is ordered for the purpose of meeting and serving public convenience and necessity.

C. The Issuer has heretofore issued its Water Revenue Bonds, Series 1976, dated January 25, 1977, issued in the original aggregate principal amount of \$665,000 (the "GMAC Bonds") and currently held by General Motors Acceptance Corporation.

D. It is in the best interest of the Issuer that the GMAC Bonds be currently refunded in order to allow the Issuer to avoid overly burdensome parity test.

E. It is deemed necessary for the Issuer to issue its Water Refunding Bonds, Series 2006 A (the "Series 2006 A Bonds") in the total aggregate principal amount of not more than \$322,000 to pay in full the principal of and interest accrued on the GMAC Bonds, and to pay costs of issuance thereof and related costs.

F. It is in the best interest of the Issuer that the Series 2006 A Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the commitment letter of the Purchaser dated September 8, 2006.

G. The Issuer has complied with all requirements of West Virginia law relating to authorization of the refunding of the GMAC Bonds, and the issuance of the Series 2006 A Bonds, or will have so complied prior to issuance of the Series 2006 A Bonds, including, among other things, the obtaining of the approval of this financing and the refunding of the GMAC Bonds from the Public Service Commission of West Virginia by Commission Order, dated October 25, 2006, in Case No. 05-0633-PWD-CN.

H. Upon the refunding of the GMAC Bonds, there are no outstanding obligations of the Issuer which will rank on a parity with the Series 2006 A Bonds as to liens, pledge and source of and security for payment.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 A Bonds by those who shall be the Registered Owner 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 Owner, 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 Owner of the Series 2006 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

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

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

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

"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, collectively, the Series 2006 A Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder of by another resolution of the Issuer.

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

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

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

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

"FDIC" means the Federal Deposit Insurance Corporation or 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.

"GMAC Bonds" means the Water Revenue Bonds, Series 1976, dated January 25, 1977, issued in the original aggregate principle amount of \$665,000.

"GMAC Resolution" means the Bond Resolutions authorizing the GMAC Bonds.

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

"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, 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 or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

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

"Net Proceeds" means the face amount of the Series 2006 A Bonds, plus accrued interest and premium, if any, and less original issue discount, if any. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2006 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, fees and expenses of fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as hereinafter defined), 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 Series 2006 A 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 monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, and Bonds registered to the Issuer.

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

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

"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.

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

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for

Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

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

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

"Regulations" means temporary and permanent regulations promulgated under the Code.

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

"Series 2006 A Bonds" means the Water Refunding Bonds, Series 2006 A, authorized hereby to be issued pursuant to this Resolution.

"Series 2006 A Bonds Reserve Account" means the Series 2006 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 2006 A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 2006 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2006 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2006 A Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2006 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2006 A Bonds and not so included may be included in another Supplemental Resolution.

"System" means the complete public waterworks system of the Issuer, presently existing in its entirety or any integral part thereof, and any further additions, extensions and improvements 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.

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 REFUNDING

Section 2.01. Authorization of Refunding. All GMAC Bonds Outstanding as of the date of issuance of the Series 2006 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Net Revenues in favor of the Holders of the GMAC Bonds imposed by the GMAC Resolution, the monies in the funds and accounts created by the GMAC Resolution pledged to payment of the GMAC Bonds, and any other funds pledged by the GMAC Resolution to payment of the GMAC Bonds are hereby ordered terminated, discharged and released upon such payment to the Holders of the GMAC Bonds. Contemporaneously with the payment in full of the GMAC Bonds, the amounts on deposit in the sinking fund, and all other funds and accounts created and maintained on behalf of the GMAC Bonds, shall be released from the lien created by the GMAC Resolution. The portion of the proceeds of the Series 2006 A Bonds hereby authorized to be applied towards the refunding of the GMAC Bonds shall be applied as provided in Article III hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purpose of refunding the GMAC Bonds, and paying certain costs of issuance and related costs not otherwise provided for, or any or all of such purposes, there is hereby authorized to be issued the Water Refunding Bonds, Series 2006 A, of the Issuer, in the aggregate principal amount of not more than \$322,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution.

Section 3.02. Terms of Bonds. The Series 2006 A Bonds shall be issued in single form, numbered AR-1, and only as a fully registered Bond. The Series 2006 A Bonds shall be dated such date; shall be in such principal amount, not to exceed \$322,000; shall bear interest at such rate or rates, not exceeding the then legally permissible limit on such dates; shall mature on such dates and in such amounts; and shall be subject to such repayment or redemption, all as the Issuer shall prescribe in a Supplemental Resolution. The Series 2006 A Bonds shall be payable as to principal and interest at the office of the Paying Agent in any coin or currency which, on the dates of payment is legal tender for the payment of public or private debts under the laws of the United States of America.

The Series 2006 A Bonds shall be subject to prepayment of the principal balance in whole on any scheduled payment date. If the Series 2006 A Bonds are paid in full more than six calendar months prior to their maturity date, then the Borrower shall pay to the Lender a prepayment premium equal to the Prepaid Principal multiplied by the Premium Percentage. The "Premium Percentage" shall be equal to one percent (1.0%) multiplied by the number of full years plus one for any additional part or portion of a year between the Prepayment Date and the maturity date of the Series 2006 A Bonds. Provided, however, in no event shall the Premium Percentage exceed five percent (5%) of the Prepaid Principal. The term "Prepaid Principal" shall mean the outstanding principal balance of the Series 2006 A Bonds at the Prepayment Date; provided however, at the discretion of Lender, all payments of principal made within thirty days prior to the Prepayment Date may be included in the Prepaid Principal amount subject to the Premium Percentage. The term "Prepayment Date" shall mean the date the prepayment is tendered.

Section 3.03. Execution of Bonds. The Series 2006 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2006 A Bonds shall cease to be such officer of the Issuer before the Series 2006 A Bonds so signed and sealed have been actually sold and delivered, the Series 2006 A Bonds may nevertheless be sold and delivered as herein

provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2006 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2006 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2006 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2006 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of the Series 2006 A Bonds, 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 of West Virginia, 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 the Series 2006 A Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Series 2006 A Bonds.

The registered Series 2006 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging the Series 2006 A Bonds or transferring the registered Bonds are exercised, the Bonds shall be delivered in accordance with the provisions of this Bond Legislation. Any Series 2006 A Bond surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of the Series 2006 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 such 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 person requesting such exchange or transfer, as a condition precedent to the exercise of the privilege of making such transfer. The Bond Registrar shall not be obliged to make any such exchange or transfer of the Series 2006 A Bonds during the 15 days preceding a scheduled payment date on such Bonds or after notice of any prepayment of such Bonds has been given.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2006 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Series 2006 A Bond 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 Series 2006 A 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. The Series 2006 A Bond 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 Series 2006 A Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds Not to Be Indebtedness of the Issuer. The Series 2006 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 2006 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2006 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2006 A Bonds shall be secured forthwith by a lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2006 A Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2006 A Bonds as the same become due.

Section 3.09. Form of Bond. The text of the Series 2006 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]

VALLEY FALLS PUBLIC SERVICE DISTRICT
WATER REFUNDING REVENUE BONDS, SERIES 2006 A

No. AR-1

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That on this the ____ day of October, 2006, VALLEY FALLS PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Marion 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 order of

-JP MORGAN CHASE BANK, N.A. -

or registered assigns (the "Payee"), the principal sum of _____, plus interest as follows:

A. Interest on this Bond shall be payable at a rate of ____% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

B. Notwithstanding any other provision herein, in the event the interest on this Bond is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on this Bond shall be payable at a rate of ____% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on this Bond is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on this Bond are paid, notwithstanding that the entire principal amount of this Bond may have been paid in full prior to the Determination of Taxability. Any interest being past due on this Bond by reason of such increase shall become immediately due and payable.

C. This Bond shall be payable in ____ installments commencing on the ____ day of ____ and on the ____ day of each month thereafter, to and

including _____, _____. The monthly installments shall consist of principal and interest of \$ _____ per month.

D. All payments received by the Paying Agent on account of the Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of the Bond. If not sooner paid, the entire principal amount of this Bond unpaid on _____, _____, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

The principal of and interest on this Bond is payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of JP Morgan Chase Bank, N.A., Charleston, West Virginia, as Bond Registrar and Paying Agent.

The Series 2006 A Bonds shall be subject to prepayment of the principal balance in whole on any scheduled payment date. If the Series 2006 A Bonds are paid in full more than six calendar months prior to their maturity date, then the Borrower shall pay to the Lender a prepayment premium equal to the Prepaid Principal multiplied by the Premium Percentage. The "Premium Percentage" shall be equal to one percent (1.0%) multiplied by the number of full years plus one for any additional part or portion of a year between the Prepayment Date and the maturity date of the Series 2006 A Bonds. Provided, however, in no event shall the Premium Percentage exceed five percent (5%) of the Prepaid Principal. The term "Prepaid Principal" shall mean the outstanding principal balance of the Series 2006 A Bonds at the Prepayment Date; provided however, at the discretion of Lender, all payments of principal made within thirty days prior to the Prepayment Date may be included in the Prepaid Principal amount subject to the Premium Percentage. The term "Prepayment Date" shall mean the date the prepayment is tendered.

This Bond is issued to (i) refund the Issuer's Water Revenue Bonds, Series 1976 (GMAC), and (ii) to pay costs of issuance and related costs. The existing public waterworks facilities of the Issuer, and any further additions, improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 2006, and a Supplemental Resolution, duly adopted by the Issuer on _____, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System.

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 the source set forth above. Under the Bond Legislation, the Issuer has entered into certain covenants with the Payee, for the terms of which reference is made to said Bond Legislation. Remedies provided the Payee 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 Bond Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such registration requirements, 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.

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

This Bond is hereby designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

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 Net Revenues of the System has been pledged to and will be set aside 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.

This Bond shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

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

VALLEY FALLS PUBLIC SERVICE DISTRICT

[SEAL]

By: _____
Its: Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Bond is described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____

JP MORGAN CHASE BANK, N.A.,
as Registrar

By: _____
Its: Authorized Officer

[Form of Assignment]

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

Dated: _____, _____.

In the presence of:

Section 3.10. Sale of Bonds. The Series 2006 A Bonds shall be sold to the Purchaser contemporaneously with, or as soon as practicable and authorized and permitted by applicable law after, the adoption of the Supplemental Resolution; provided, that the Purchaser and the Issuer shall have agreed to the purchase thereof.

Section 3.11. Disposition of Bond Proceeds. From the monies received from the sale of the Series 2006 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2006 A Bonds, the Issuer shall forthwith wire proceeds of the Series 2006 A Bonds which is equal to the amount necessary to pay in full the entire principal of and interest accrued on the GMAC Bonds directly to GMAC, the Holder thereof.

B. Next, the Purchaser shall pay the costs of issuance of the Series 2006 A Bonds.

Section 3.12. Designation of Bonds "Qualified Tax-Exempt Obligations."
The Issuer hereby designates the Series 2006 A Bonds as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3)(B) of the Code and covenants that the Bond does not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code), including the Series 2006 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during calendar year 2006.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. 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; and
- (2) Renewal and Replacement Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2006 A Bonds Reserve Account.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as the Series 2006 A Bonds shall be outstanding and unpaid, or until there shall have been set apart, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2006 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Series 2006 A Bonds as follows:

A. **REVENUE FUND.** The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund established with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided herein.

B. **DISPOSITION OF REVENUES.** All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

- (1) The Issuer shall first, each month, pay from the monies in the Revenue Fund all current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Series 2006 A Bonds transfer from the Revenue Fund and remit to the Paying Agent the amount required to pay the interest on the Series 2006 A Bonds and to amortize the principal of the Series 2006 A Bonds over the life of the Series 2006 A Bonds. All payments with respect to principal of and interest on the Series 2006 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next remit to the Commission, commencing the month following the closing date for deposit in the Series 2006 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 A Bonds Reserve Requirement, until the amount in the Series 2006 A Bonds Reserve Account equals the Series 2006 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 A Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, the amounts required by the Prior Resolutions and 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 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 monies from the Renewal and Replacement Fund.

(5) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be

used to prepay installments of the Series 2006 A Bonds, pro rata, or for any lawful purpose.

The Depository Bank and the Commission, as applicable, are hereby designated as the Fiscal Agents for the administration of the Renewal and Replacement Fund and the Series 2006 A Bonds Reserve Account, and all amounts required for the Renewal and Replacement Fund and Series 2006 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, as applicable, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2006 A Bonds and the interest thereon.

Any withdrawals from the Series 2006 A Bonds Reserve Account which result in a reduction in the balance of the Series 2006 A Bonds Reserve Account to below the Series 2006 A Bonds Reserve Requirement shall be subsequently restored, on a pro rata basis, from the first Net Revenues available after all required payments have been made with respect to the principal of and interest on the Series 2006 A Bonds. Monies in the Series 2006 A Bonds Reserve Account shall be used only for, and are hereby pledged for, the purpose of paying principal of and interest on the Series 2006 A Bonds as the same shall come due, when other monies of the Issuer are insufficient therefor, and for no other purpose.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Depository Bank and the Commission, as applicable, at the direction of the Issuer, shall keep the monies in the Renewal and Replacement Fund and the Series 2006 A Bonds Reserve Account, as applicable, invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund"

managed by the West Virginia Board of Treasury Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Renewal and Replacement Fund and the Series 2006 A Bonds Reserve Account, so long as the respective reserve requirement is on deposit and maintained therein, shall be paid annually to the Issuer by the Depository Bank and the Commission, as applicable.

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

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

E. INVESTMENT OF EXCESS BALANCES. The monies in excess of the sum insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS

Section 5.01. General Statement. So long as the Series 2006 A Bonds shall be outstanding and unpaid, or until there shall have been set apart a sum sufficient to prepay the entire principal of the Series 2006 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Bondholder.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 115% of the annual debt service on the Series 2006 A Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2006 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds. All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2006 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding the Bonds issued pursuant hereto or subsequent Parity Bonds, or any combination of such purposes.

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

- (1) The Bonds Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation 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, 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 the certificate of the Independent Certified Public Accountants.

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, 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 Holder of the Series 2006 A 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. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior liens of the 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 any time, however, unless all the payments 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 5.05. Insurance and Bonds. A. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2006 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(i) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion.

(ii) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2006 A Bonds.

(iii) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(iv) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk

of the County Commission of said County prior to commencement of construction in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(v) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

(vi) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

(vii) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, so long as the Series 2006 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer with insurance carriers or bonding companies acceptable to Purchaser.

B. All insurance proceeds awarded to the Issuer that are not applied to the repair or replacement of the subject property damaged or destroyed, shall be applied by the Issuer to prepayment of the Bond, unless otherwise consented to in writing by the Bondholder.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2006 A Bonds.

Section 5.07. Fiscal Year: Budget. While the Series 2006 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to

month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.08. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.09. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.10. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2006 A Bonds are outstanding.

Section 5.11. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges: Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, are set forth in the Commission Order of the Public Service Commission of West Virginia, entered on August 23, 2005, Case No. 05-0633-PWD-CN, which Final Order is incorporated herein by reference as a part hereof.

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

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII
TAX COVENANTS

Section 7.01. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2006 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2006 A Bonds during the term thereof is, under the terms of the Series 2006 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2006 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2006 A Bonds during the term thereof is, under the terms of the Series 2006 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2006 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the project, or if the Series 2006 A Bonds is for the purpose of financing more than one project, a portion of the project, and shall not exceed the proceeds used for the governmental use of that portion of the project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2006 A Bonds or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2006 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2006 A Bonds

and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2006 A 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 which would adversely affect such exclusion.

Section 7.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2006 A Bonds which would cause the Series 2006 A Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Series 2006 A Bonds) so that the interest on the Series 2006 A Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2006 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2006 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. The Issuer shall pay, or cause to be paid, to the United States, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. The Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Series 2006 A Bonds:

1. If default occurs in the due and punctual payment of the principal of or interest on the Series 2006 A Bonds; or

(A) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2006 A Bonds set forth in this Bond Legislation, any supplemental resolution, or in the Series 2006 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 Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder of a Series 2006 A Bonds; or

(B) 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 8.02. Remedies. Upon the happening and continuance of any Event of Default, the Registered Owner of the Series 2006 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owner including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2006 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owner of the Series 2006 A Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2006 A Bonds, or the rights of such Registered Owner.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holder of the Series 2006 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then this Bond Legislation and the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2006 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 2006 A Bonds from gross income for federal income tax purposes.

The payment of the Series 2006 A Bonds with either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, 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 Series 2006 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. The Series 2006 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Paying Agent, either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with other monies, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Series 2006 A Bonds on and prior to the maturity dates thereof. Neither securities nor monies deposited with the Paying Agent 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 the Series 2006 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Paying 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 the Series 2006 A Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Paying 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 X

MISCELLANEOUS

Section 10.01. Amendment or Modification of Bond Legislation. This Bond Legislation may not be amended or modified after final passage without the prior written consent of the Registered Owner; provided, however, that this Bond Legislation may be amended without the consent of the Registered Owner as may be necessary to assure the exclusion of interest on the Series 2006 A Bonds from gross income of the Registered Owner for federal income tax purposes.

Section 10.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2006 A Bonds.

Section 10.03. Table of Contents and Headings. The table of contents and headings 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 10.04. Conflicting Provisions Repealed. All orders, indentures, or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 10.05. 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 10.06. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 21st day of November, 2006.

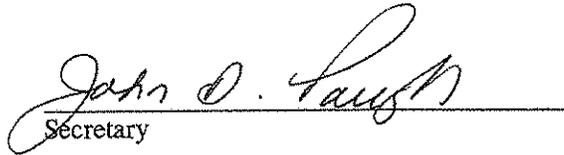
Engine M. Sapp
Chairman

CERTIFICATION

Certified a true copy of a Bond Resolution duly adopted by the Public Service Board of Valley Falls Public Service District on the 21st day of November, 2006.

Date: November 22, 2006.

[SEAL]


Secretary

11.15.06
928790.00001

VALLEY FALLS PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2006 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, MATURITY, INTEREST RATE AND OTHER TERMS OF THE WATER REFUNDING REVENUE BONDS, SERIES 2006 A, OF VALLEY FALLS PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO JP MORGAN CHASE BANK, N.A.; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the public service board (the "Governing Body") of Valley Falls Public Service District (the "Issuer") has duly and officially adopted a resolution on November 21, 2006 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BONDS, SERIES 1976 (GMAC), OF VALLEY FALLS PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$322,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2006 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Water Refunding Revenue Bonds, Series 2006 A, of the Issuer (the "Bonds" or the "Series 2006 A Bonds"), in an aggregate principal amount of not more than \$322,000, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Resolution, it is provided that the date, the maturity date, interest rate and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by JP Morgan Chase Bank, N.A., Charleston, West Virginia (the "Purchaser"), pursuant to the terms of the

commitment letter dated September 8, 2006, a copy of which is attached hereto as Exhibit A and made a part hereof (the "Commitment Letter"); and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the date, the maturity date, the interest rate 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 VALLEY FALLS PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there is hereby authorized and ordered to be issued the Water Refunding Revenue Bonds, Series 2006 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$322,000. The Series 2006 A Bonds shall be dated November 22, 2006, shall mature on November 10, 2017, and shall bear interest as follows:

A. Interest on the Bonds shall be payable at a rate of 5% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

B. Notwithstanding any other provision herein, in the event the interest on the Bonds is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on the Bonds shall be payable at a rate of 9% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on the Bonds is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on the Bonds are paid, notwithstanding that the entire principal amount of the Bonds may have been paid in full prior to the Determination of Taxability. Any interest being past due on the Bonds by reason of such increase shall become immediately due and payable.

C. The Bond shall be payable in 131 monthly installments, commencing January 10, 2007, and continuing on the 10th day of each month thereafter to and including November 10, 2017. The monthly installments shall consist of principal and interest shall be as listed on the debt service schedule attached hereto as Exhibit B.

D. All payments received by the Paying Agent on account of this Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of this Bond. If not sooner paid, the entire principal amount of this Bond unpaid on November 10, 2017, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

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

Section 3. The Issuer does hereby approve the terms of the Commitment Letter, including specifically the prepayment premium should the Bonds be prepaid prior to maturity.

Section 4. The Bonds shall be sold to JP Morgan Chase Bank, N.A., Charleston, West Virginia, and shall be registered in the name of such bank. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 5. The Issuer does hereby appoint and designate JP Morgan Chase Bank, N.A., Charleston, West Virginia, the Registrar and the Paying Agent for the Bonds.

Section 6. The Issuer hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Section 7. The Issuer does hereby authorize the transfer of \$32,200 to the West Virginia Municipal Bond Commission to fund the Series 2006 Bond Reserve Account, which amount is 10% of the stated principal amount of the Series 2006 A Bonds.

Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver the Bonds and such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Purchaser on or about November 22, 2006.

Section 9. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 21st day of November, 2006.

VALLEY FALLS PUBLIC SERVICE DISTRICT

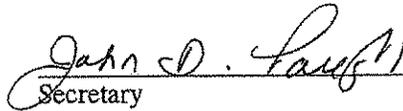
By: Engene M. Sapp
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Valley Falls Public Service District on the 21st day of November, 2006.

Date: November 22, 2006

[SEAL]


Secretary

11.15.06
928790.00001

EXHIBIT A

COMMITMENT LETTER

SEE TAB 18

EXHIBIT B

DEBT SERVICE SCHEDULE

MEMORANDUM

To: Financing Team
From: John C. Stump, Esquire
Date: January 12, 2007
Re: Valley Falls Public Service District
Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)

DISBURSEMENTS TO DISTRICT:

Payor:	West Virginia Infrastructure and Jobs Development Council
Amount:	\$267,750.00
Form:	Wire Transfer
Bank:	WesBanco Bank, Inc.
ABA No.:	051500562
Acct. No.:	0000002604124943
Contact:	Marty Ward, 304.368.5000
Account:	Series 2007 A Bonds