

DISTRIBUTION LIST
\$1,280,000
BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

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(August 1996)

GRANT AGREEMENT

This Grant Agreement entered into between the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") and the Branchland-Midkiff Public Service District (the "Governmental Agency").

RECITALS

WHEREAS, the Council has authorized the Authority to make a grant to the Governmental Agency in the amount not to exceed \$1,280,000 (the "Grant") for the purpose of the acquisition and construction/design/planning of a project for which a preliminary application has been submitted and approved by the Council;

WHEREAS, the Governmental Agency wishes to accept the Grant upon such terms and conditions as are hereinafter set forth for the purpose of constructing the project described in Exhibit A attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Agreement sets forth the Council, the Authority and the Governmental Agency's understanding and agreements with regard to the Grant.

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

TERMS

1. Prior to the distribution of the Grant, the Governmental Agency shall provide the Authority with a Project budget and an anticipated monthly draw schedule reflecting the receipt dates and amounts from other funding sources.
2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Authority and the Council.
3. The monthly requisition will also set forth (i) the amounts requested for that requisition period from all other funding agencies, and (ii) the amounts advanced for the Project to date from all other funding agencies.
4. The Governmental Agency will use the proceeds of the Grant only for the purposes specifically set forth in Exhibit A.
5. The Governmental Agency shall comply with and is bound by the Council's rules set forth as Title 167, Series 1 and more particularly Section 5.9 with respect to the sale of the Project.

6. The Governmental Agency acknowledges that the Grant may be reduced, from time to time, to reflect actual Project costs and availability of other funding.

7. 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 Grant held in "contingency" as set forth in the final Schedule B. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Grant available due to bid/construction/project underruns.

8. This Agreement shall be governed by the laws of the State of West Virginia.

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

BRANCHLAND-MIDKIFF PUBLIC SERVICE
DISTRICT

By: [Signature]
Its: Acting Chairman

Date: July 29, 1998

SEAL

ATTEST

[Signature: Sheris McCoy]
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

By: [Signature: Daniel B. Yarbosh]
Director

Date: 7/29/98

SEAL

ATTEST

[Signature: Barbara B. Meadows]
Secretary - Treasurer

EXHIBIT A

The project consists of the construction of one 122,000 gallon water storage tank, one booster pump station, waterline consisting of approximately 6,800 L.F. of 8", 76,620 L.F. of 6", 13,825 L.F. of 2", and other necessary appurtenances. The total cost of the project is \$2,560,000.

**BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)**

BOND RESOLUTION

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BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE CONSTRUCTION OF NEW PUBLIC WATER FACILITIES OF BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COSTS THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF \$1,280,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH BONDS; APPROVING 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 ADOPTED BY THE PUBLIC SERVICE BOARD OF THE BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. The following terms shall have the following meanings in this Resolution 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 of this Resolution.

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Bonds, or any other agency, board or department of the State 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 or Acting Chairman of the Governing Body of the Issuer or any other officer or person of the Issuer specifically designated by resolution of the Governing Body of the Issuer.

"Board" or "Public Service Board" means the public service board of the Issuer or any successor thereto.

"Bond" means the not more than \$1,280,000 aggregate principal amount of Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund), originally authorized hereby.

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

"Bonds Sinking Fund" means the Bonds Sinking Fund established by Section 4.02 hereof.

"Bondholder" or "Holder of the Bonds" or "Holder" or "Registered Owner" or any similar term means any person who shall be the registered owner of any Outstanding Bond or Bonds.

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

"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.

"Construction Fund" means the Construction Fund established by Section 4.01 hereof.

"Consulting Engineers" means Haworth, Meyer & Boleyn, Inc., South Charleston, West Virginia, or any qualified engineer or firm of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof; provided however, that the Consulting Engineer shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions.

"Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

"Depository Bank" means the bank designated as such herein or in any 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.

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

"Grant" means the \$1,280,000 grant to be made to the Issuer by the Council and to be used to pay a portion of the cost of the Project.

"Grant Agreement" means the contract between the Council and the Issuer governing the terms of the Grant.

"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" shall not include any proceeds from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined).

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

"Issuer" means Branchland/Midkiff Public Service District, a public service district and political subdivision of the State of West Virginia, in Lincoln County, West Virginia, and, unless the context clearly indicates otherwise, includes the Board and any successor thereto.

"Loan Agreement" means the Loan Agreement heretofore entered into, or to be entered into, between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Bonds from the Issuer by the Authority, the form of which is hereby approved, and the execution and delivery by the Issuer authorized and directed or ratified herein.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest, if any, 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 delivered except (a) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); and (b) any Bond deemed to have been paid as provided in Article VI hereof.

"Paying Agent" means the Commission designated as such herein or in any supplemental Resolution, and its successors and assigns.

"Project" means the Project described in Section 1.03A 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, Bonds 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, Bond, 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 State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

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

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

"Secretary" means the Secretary of the Issuer.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution of the Issuer amending or supplementing this Resolution.

"Surplus Revenues" means the Net Revenues, if any, not required by any Prior Bonds or any prior bond resolution to be set aside and held for the payment of or security for any outstanding bonds or notes of the Issuer, including any reserve or depreciation accounts.

"System" means the Project initially, and all existing water facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter acquired and/or owned, held or used in connection with the System, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a public water system; and shall also include any and all additions,

extensions, improvements, replacements, properties or other facilities at any time acquired or constructed for said water system after completion of the Project.

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

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

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

Words importing singular number include the plural number in each case and vice versa, words importing the masculine gender include every other gender, and words importing persons include firms, partnerships, associations and corporations.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution, together with any resolution supplemental hereto or amendatory hereof, is adopted pursuant to the provisions of the Act and other applicable provisions of the law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer now operates the System and desires to improve and expand the System. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments and improvements to the existing System of the Issuer so as to improve the public health, comfort and convenience of residents of the Issuer, including the construction and installation of all necessary appurtenant facilities (the "Project"), and generally described as water line extensions, pumps, pumping stations, water plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the office of the Issuer and to pay the costs of issuance of revenue bonds to be issued to finance a portion of the cost of such improvements. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of

the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

B. It is deemed necessary for the Issuer to issue its Bond, in an aggregate principal amount of \$1,280,000, to finance a portion of the costs of the acquisition and construction of the Project and the costs of issuance of the Bonds and related costs, and which, with the Grant, will pay the costs of the Project.

C. It is in the best interests of the Issuer that its Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

D. There are no other outstanding obligations of the Issuer which will rank on a parity with the Bonds as to pledge on and source of and security for payment except for the Issuer's \$180,000 Water-Works System Revenue Bond, Series A (1966) (the "Prior Bonds"). There are no other outstanding bonds or other obligations of the Issuer which will rank senior and prior to or on a parity with the Bonds as to lien, pledge and source of and security for payment. The Bonds shall be payable only from and secured by a first lien, on a parity with the Prior Bonds, on the Net Revenues from the System. The Issuer has no other obligations outstanding, other than the Prior Bonds, which are payable from any source from which the Bonds are payable. The parity tests required by the resolution adopted on August 31, 1966 (the "Prior Resolution") have been met or waived.

E. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to the authorization of the acquisition and construction of the Project and the issuance of the Bonds, or will have so complied prior to issuance of the Bonds, including the obtaining of approval of the acquisition and construction of the Project and the issuance of the Bonds from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired, including the issuance of the Commission Order Reopening Proceeding and Granting Petition specifically authorizing the issuance of the Bonds.

F. Pursuant to the Act, the Project has been reviewed and determined to be technically and financially feasible by the Council, and the Council has authorized the Authority to make a loan to the Issuer from the West Virginia Infrastructure Fund (or will have so authorized prior to issuance of the Bonds).

Section 1.04. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be 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 benefit, protection and security of the Registered Owners of the Bonds.

ARTICLE II

AUTHORIZATION OF THE ACQUISITION AND CONSTRUCTION OF THE PROJECT AND ENTRY INTO THE LOAN AGREEMENT

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

There is hereby authorized and ordered the acquisition and construction of the Project at an estimated cost of \$2,560,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers and filed in the office of the Board. The proceeds of the Bonds are hereby authorized and shall be applied as provided in Article IV hereof. The Issuer has or will enter into contracts for the acquisition and construction of the Project compatible with the finance plan in the Application.

Section 2.02. Authorization for Issuer to Enter Into Loan Agreement.

The Issuer hereby approves the Loan Agreement and the sale of the Bonds pursuant to the Loan Agreement. The Chairman or Acting Chairman is hereby authorized and directed to execute and deliver the Loan Agreement to the Authority.

Section 2.03. Designation of Parties.

The Issuer hereby designates The Twentieth Street Bank, West Hamlin, West Virginia, to serve as the Depository Bank and One Valley Bank, National Association, Charleston, West Virginia, to serve as the Registrar for the Bonds. The Commission is hereby designated as Paying Agent for the Bonds.

ARTICLE III

THE BONDS

Section 3.01. Authorization of the Bonds.

For the purposes of financing a portion of the costs of acquiring and constructing of the Project and paying the costs of issuance of the Bonds and related costs, there shall be and hereby are authorized to be issued the Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund), of the Issuer, in an aggregate principal amount of \$1,280,000.

Section 3.02. Terms of Bonds.

The Bonds shall be issued in fully registered form and shall be initially issued as one Bond, numbered R-1, in the principal amount of \$1,280,000. The Bonds shall be dated June 29, 1998, shall bear interest at zero percent (0%), shall mature on June 1, 2038, in such amount, shall be payable quarterly, each March 1, June 1, September 1 and December 1, commencing December 1, 1999, and shall be subject to such repayment or redemption, all as provided herein or in any Supplemental Resolution or the Bond.

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

of Advances attached thereto and incorporated therein. Interest shall accrue on the Bonds only on the amount of each advance from the actual date thereof as listed on said Record of Advances.

The Bonds shall be payable as to principal and interest at the principal office of the Paying Agent in any coin or currency which, on the dates of payment, is legal tender for the payment of public and private debts under the laws of the United States of America.

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

No Bond shall be valid or entitled to any security or benefit under this Resolution unless and until the certificate of authentication and registration on such Bond shall have been duly manually executed by the Registrar, and such executed certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bonds Legislation. The certificate of authentication and registration shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication and registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability, Transfer and Registration. Subject to the restrictions on transfer set forth below, the Bonds shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that said Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. The Bonds shall be transferrable only upon the books of the Registrar which shall be kept for that purpose at the office of the Registrar by request of the registered owner thereof in person or by his attorney duly authorized in writing, and upon surrender thereof, together with a written

instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of a Bond, there shall be issued to the transferee another fully registered Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond.

In all cases in which the privilege of transferring Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfers shall forthwith be canceled by the Registrar. For every such transfer of Bonds, the 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 transfer and the cost of preparing each new Bond upon each transfer, and any other expenses of the Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer (except for the Authority) as a condition precedent to the exercise of the privilege of making such transfer. The Registrar shall not be obliged to make any such transfer of Bonds during the 15 days preceding an interest payment date on the Bonds or after notice of any prepayment of the Bonds has been given.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer, may in its discretion, issue and deliver a new Bond in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bonds or in lieu of and substitution for the Bond destroyed, stolen or lost and upon the Holder's furnishing the Issuer proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Council may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be submitted to and canceled by the Registrar and held for the account of the Issuer. If 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 3.06. Form of Bond. The text of the Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution or any Supplemental Resolution adopted prior to the issuance thereof:

(Form of Bond)
UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. R-1

\$1,280,000.00

Date: July 29, 1998

KNOW ALL MEN BY THESE PRESENTS: That BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Lincoln County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the sources and in the manner provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the principal sum of One Million Two Hundred Eighty Thousand and 00/100 Dollars (\$1,280,000.00 U.S.), 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 hereto and incorporated herein by reference as a part hereof, without interest on the unpaid principal balance.

The principal of and interest on this Bond are payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal shall be repaid in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 1999, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference.

Principal on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia (the "Registrar"), on the 15th day of the month next preceding such payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council") and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated July 29, 1998, by and between the Issuer and the Authority, on behalf of the Council.

This Bond is issued (i) to finance a portion of the costs of the acquisition and construction of water service extensions of the Issuer (the "Project", and together with any existing water facilities of the Issuer and any further additions, betterments and improvements thereto, collectively referred to as the "System") and (ii) to pay the costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and

statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 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 July 22, 1998 (the "Bond Legislation"), and is subject to all the terms and conditions thereof.

The principal of this Bond is payable only from and secured by a first lien on Net Revenues (as defined in the Bond Legislation) of the System, on a parity with the Issuer's \$180,000 Water-Works System Revenue Bond, Series A (1966) (the "Prior Bonds"), moneys in the Series 1998 Bonds Reserve Account and unexpended proceeds of this Bond. All moneys from the operation of the System shall be deposited into the Revenue Fund established or continued under the Bond Legislation for the prompt payment of the principal of this Bond on a parity with the Prior Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside in a special fund hereby pledged for such purpose. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on this Bond, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with this Bond, as well as the Prior Bonds; provided however, that so long as the Series 1998 Bonds Reserve Account is funded in an amount at least equal to the maximum amount of principal and interest which will come due on this Bond in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with this Bond, including the Prior Bonds, is funded in an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of this Bond for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

On August 1, 1999, if the amount set forth on the Record of Advances is less than \$1,280,000, the Authority shall upon written instruction of the Council revise Exhibit B to reflect the lesser amount but amortized at the same interest rate and quarterly payment amount.

Under the Act, this Bond is exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

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

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

THIS BOND SHALL BE ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT WITH THE ISSUER'S \$180,000 WATER-WORKS SYSTEM REVENUE BOND, SERIES A (1966).

The loan will be in default should any proceeds of the loan funds obtained from this parity bond issue 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 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, BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Acting Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated July 29, 1998.

BRANCHLAND/MIDKIFF PUBLIC SERVICE
DISTRICT

[SEAL]

By: _____
Acting Chairman

Attest:

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: July 29, 1998.

**ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar**

By: _____
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 said Bond on the books of
the Registrar on behalf of said Issuer with full power of substitution in the premises.

Dated: _____

IN THE PRESENCE OF :

RECORD OF ADVANCES

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

TOTAL \$

West Virginia Infrastructure and Jobs Development Council
Branchland/Midkiff Public Service District
Debt Service Schedule
Closing: July 29, 1998
Total Amount Borrowed: \$1,280,000

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Quarterly Debt Service</u>	<u>Annual Debt Service</u>
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Section 3.07. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement contemporaneously with, or as soon as practicable and authorized and permitted by applicable law after, adoption of this Resolution; provided, that the Authority and the Issuer shall have agreed to the purchase thereof. The Chairman or Acting Chairman is specifically authorized and directed to execute the Loan Agreement, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized ratified and approved.

Section 3.08. Advances of Principal of Bonds; Excess Bond Proceeds. The Issuer shall requisition the Council for the proceeds of the Bonds as needed to pay the costs of acquisition and construction of the Project and the costs of issuance of the Bonds and related costs, and such proceeds shall be paid to the Issuer or its designated payee only to pay the costs authorized by this Bond Legislation. Upon completion of the Project, any Bond Proceeds not required for the Project Costs shall be applied as directed by the Council.

Section 3.09. Pledge of Security for the Bonds. The principal of and interest on the Bonds shall be payable only from and secured by a first lien, on a parity with the Prior Bonds, on Net Revenues all of which are hereby pledged for such payment.

Section 3.10. Bonds Not to be Indebtedness of Issuer. The Bonds shall be special obligations of the Issuer, payable solely from the sources described above. The Bonds do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Bonds. The Holders of the Bonds shall never have the right to compel the forfeiture of any property of the Issuer. The Bonds shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as pledged therefor by this Resolution.

Section 3.11. Prohibition of Other Loans. So long as the Bonds and the Prior Bonds are outstanding, no bonds or other evidences of indebtedness against the System shall be issued by the Issuer without the prior written consent of the Authority and the Council and the holder of the Prior Bonds; provided however, that the Issuer may issue refunding bonds to pay the entire outstanding principal of and interest accrued on the Bonds in full. 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 3.12. Covenants with Holders of Bonds. In order to secure the payment of the Bonds, the Issuer hereby covenants and agrees with the Holders of the Bonds, as follows:

(A) The Issuer will not make or cause or permit to be made any application of the proceeds of the Bonds except in accordance with the provisions of Section 4.03 hereof, or of any moneys held in the Construction Fund except in accordance with the provisions of Section 4.04 hereof.

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

(C) The Issuer will, in the event proceeds of the grants for the System and/or proceeds of revenue bonds, refunding bonds or other obligations of the Issuer, issued subsequent to the issuance of the Bonds, are not sufficient or available to pay the Bonds in full by the maturity date of the Bonds, issue and sell its refunding bonds and apply the proceeds of its refunding bonds to the payment of the Bonds.

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

Section 3.13. Required Notices to Holders of Bonds. The Issuer will provide the Authority and the Council prompt written notice, appropriately documented, of any of the following events:

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

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

(C) Any activity that would stop the work schedule on the Project.

Section 3.14. "Amended Schedule B." Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule B" to the Loan Agreement, setting forth the actual Costs of the Project and sources of funds therefor.

ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established or contained with and shall be held by the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund;
- (2) Construction Fund;
- (3) Renewal and Replacement Fund; and
- (4) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created and established or contained with the Commission:

- (1) Series 1998 Bonds Sinking Fund;
 - (a) Within the Series 1998 Bonds Sinking Fund, the Series 1998 Bonds Reserve Account.

Section 4.03. Bond Proceeds; Construction Fund. From the moneys received from time to time from the sale of the Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bonds, there shall first be paid any and all borrowing by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

B. Next, from the proceeds of the Bonds, there shall be deposited with the Commission in the Series 1998 Bonds Reserve Account the sum, if any, set forth herein or in a Supplemental Resolution for funding of the Series 1998 Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Construction Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 4.04.

D. The Depository Bank shall act as a trustee and fiduciary for the Holder of the Bonds with respect to the Construction Fund and shall comply with all requirements with respect to the disposition of the Construction Fund set forth in this Resolution. Moneys in the Construction Fund shall be used solely to pay costs of the Project and, until so expended, are hereby pledged as additional security for the Bonds.

Section 4.04. Disbursements From the Construction Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Construction Fund, except for the costs of issuance of the Bonds, which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by the Chairman or Acting Chairman and the Consulting Engineer, stating:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Construction Fund only the net amount remaining after

deduction of any such portion. All payments made from the Construction Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Construction Fund. The Consulting Engineer shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending application as provided in this Section 4.04, money and funds in the Construction Fund shall be invested and reinvested at the direction of the Issuer in Qualified Investments.

When construction of the Project has been completed and all Costs thereof have been paid or provision for such payment has been made, any balance remaining in the Construction Fund shall be applied as directed by the Council.

Section 4.05. Covenants of the Issuer as to Revenues and Funds. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1998 Bonds Reserve Account, a sum sufficient to pay, when due, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bonds as follows:

(A) Revenue Fund. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Depository Bank, in a fund known as the "Revenue Fund" which is hereby 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 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 transfer sufficient moneys from the Revenue Fund to pay all current Operating Expenses.

(2) The Issuer shall next, (i) on the required payment dates, remit all payments of principal and interest owed on the Prior Bonds under the terms of the Prior Resolution, on a parity with the Series 1998 Bonds, (ii) on the first day of each month, commencing four (4) months prior to the first date of payment of interest on the Series 1998 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1998 Bonds Sinking Fund, a sum equal to 1/3 of the amount of interest which will become due on said Bonds, if any, on a parity with the Prior 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 1998 Bonds Sinking Fund and the next quarterly interest payment date is less than four (4) months, then such monthly payments shall be increased proportionately to provide, one (1) month prior to the next quarterly interest payment date, the required amount of interest coming due on such date, and (iii) on the first day of each month, commencing four (4) months prior to the first date of payment of principal on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998 Bonds Sinking Fund, a sum equal to 1/3 of the amount of principal which will mature and become due on said Bonds, on a parity with the

Prior Bonds, on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 Bonds Sinking Fund and the next quarterly principal payment date is less than four (4) months, then such monthly payments shall be increased proportionately to provide, one (1) month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall (i) on the required payment dates, remit for deposit any reserve payments required to be made on the Prior Bonds under the terms of the Prior Resolution and (ii), on the first day of each month, commencing four (4) months prior to the first date of payment of principal of the Series 1998 Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998 Bonds Reserve Account, an amount equal to 1/120 of the Series 1998 Bonds Reserve Requirement, which is the maximum amount of principal and interest which will become due on the Bonds in any year; provided, that no further payments shall be made into the Series 1998 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 1998 Bonds Reserve Requirement. All funds in the Series 1998 Bonds Reserve Account shall be kept separate and apart by the Commission from other funds of the Issuer and shall be invested and reinvested in Qualified Investments.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Series 1998 Bonds Reserve Account and the Prior Bonds. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1998 Bonds 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 to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1998 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Bonds as the same shall become due. Moneys in the Series 1998 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Bonds, as the same shall come due when other moneys in the attendant Sinking Fund are insufficient therefore, and for no other purpose.

All investment earnings on moneys in the Series 1998 Bonds Sinking Fund and Series 1998 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 Construction 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 payments, if any, due on the Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1998 Bonds Reserve Account which result in a reduction in the balance of the Series 1998 Bonds Reserve Account to below the Series 1998 Bonds

Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full to the Series 1998 Bonds Sinking Fund for payment of debt service on the Series 1998 Bonds.

As and when additional bonds ranking on a parity with the Bonds and the Prior Bonds are issued, provision shall be made for additional payments into the sinking fund sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in the reserve account in an amount equal to the maximum provided and required to be paid into the sinking fund in any year for account of the Bonds and such additional bonds which by their terms are payable from such sinking fund.

The Issuer shall not be required to make any further payments into the Series 1998 Bonds Sinking Fund or into the Series 1998 Bonds Reserve Account therein when the aggregate amount of funds in said Sinking Fund and Reserve Account are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Resolution then Outstanding and all interest to accrue until the maturity thereof.

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution. 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 deducted from the Revenue Fund and transferred to the Commission on the dates required.

The Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bonds and any additional bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues of the System. Surplus Revenues may be used for any lawful purpose of the System.

Whenever the money in the Series 1998 Bonds Reserve Account shall be sufficient to prepay the Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 1998 Bonds Reserve Account, and the Depository Bank is hereby designated as the Fiscal Agent for the administration of the Renewal and Replacement Fund, herein provided, and

all amounts required for the Series 1998 Bonds Reserve Account and the Renewal and Replacement Fund will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund. 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 deducted from the Revenue Fund and transferred to the Commission on the dates required.

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 Authority shall have a lien thereon for further securing payment of the Bonds and the interest thereon, but the Commission and the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Net 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 Commission and the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Series 1998 Bonds Reserve Account and the Renewal and Replacement Fund, respectively, 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 Resolution 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 State Investment Management Board. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account.

(C) Change of Depository Bank. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the aforesaid bank should cease for any reason to serve or if the Issuer determines by supplemental resolution that said bank or its successor should no longer serve as Depository Bank. Upon any such change, the Issuer will cause notice of the change to be sent by registered or certified mail to the Authority.

(D) Charges and Fees. The Issuer shall remit from the Revenue Fund to the Commission and to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission and the Depository Bank then due.

(E) Investment of Excess Balances. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

(F) Remittances. All remittances made by the Issuer to the Commission and to the Depository Bank 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

ADDITIONAL COVENANTS OF THE ISSUER

Section 5.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article V. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Section 5.02. Bonds Not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation on indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 5.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1998 Bonds issued hereunder shall be secured forthwith by a first lien on the Net Revenues derived from the operation of the System, on a parity with the Prior Bonds.

The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Series 1998 Bonds Sinking Fund, including the Series 1998 Bonds Reserve Account therein, and all other payments provided for in the Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds, on a parity with the Prior Bonds, as the same become due, and for the other purposes provided in the Resolution.

Section 5.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the existing or proposed rate resolution of the Issuer adopted on July 22, 1998, and to take effect upon completion of the Project, as approved by the Public Service Commission of West Virginia by Recommended Decision entered on April 24, 1998, in Case No. 97-0964-PWD-CN.

Section 5.05. Sale of the System. Except as otherwise required by state law, or with the written consent of 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 all the Bonds, if any, Outstanding, or to effectively defease this Resolution in accordance with Section 8.01 hereof. The proceeds from any such sale, mortgage,

lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Series 1998 Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Series 1998 Bonds Sinking Fund and shall be applied only to the purchase of Bonds, on a parity with the Prior Bonds, of the last maturities then Outstanding at prices not greater than the par value thereof plus three percent (3%) of such par value or otherwise. Such payment of such proceeds into the Series 1998 Bonds Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 5.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 5.06 and in Section 5.07B, and, so long as any of the Bonds are outstanding, 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 Bonds and the Prior Bonds. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues

All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1998 Bonds and the Prior Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 1998 Bonds Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

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

Section 5.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bonds issued pursuant to this Resolution, except under the conditions and in the manner herein provided. No Parity Bonds shall be issued without the prior written consent of the Authority and the Council.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1998 Bonds and the Prior 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 one or more series of Bonds issued pursuant hereto, or both such purposes.

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

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

The "estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements

to be financed by such 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 a certificate of the Consulting Engineers, which shall be filed with the Chairman prior to the issuance of such Parity Bonds.

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

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

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

All Parity Bonds shall mature on the specified day of the years of maturities, and the quarterly interest thereon shall be payable on the days of each year specified herein or in any Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1998 Bonds and the Prior Bonds. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1998 Bonds and the Prior Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 5.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 5.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds and the Prior Bonds.

Section 5.08. Books; Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority, acting by and through its Director, or his 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 Issuer shall submit to the Authority such documents and information as it 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 State and federal grants or other sources of financing for the Project.

The Issuer shall permit the Authority and its agents and representatives to have access to the records 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.

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

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

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

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, Notes or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with OMB Circular 128, or any successor thereto, and the Single Audit Act and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation and that the Issuer's revenues are adequate to meet its expenses and debt service requirements.

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

The Issuer shall also, during construction of the Project and for two years following the completion of the Project, complete a Monthly Financial Report, as described in the Loan Agreement, and forward a copy by the 15th of each month to the Authority and the Council.

Section 5.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file at the office of the Issuer, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for payment of principal of and interest on the Bonds, the Prior Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit in the reserve accounts or reserve accounts for obligations prior to or on a parity with the Bonds, the Prior Bonds are funded at least at the requirement therefor, such balance each year need only equal at least one hundred ten percent (110%) of the maximum amount required in any year for payment of principal of and interest on the Bonds, the Prior Bonds and all other obligations secured by a lien on or payable from such

revenues prior to or on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate resolution described in Section 5.04.

Section 5.10. Operating Budget and Audit. The Issuer shall annually, at least forty-five (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. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bond, or anyone acting for and on behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, in compliance with OMB Circular 128, or any successor thereto, and the Single Audit Act, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 5.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 5.12. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineer 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, 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 resident 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 on behalf of the Consulting Engineers, which have been approved by all necessary governmental bodies. The

Consulting Engineer shall certify to the Authority and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of the Loan Agreement.

Section 5.13. 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 thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid, to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of a sewer system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 5.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 5.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, ON ALL above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project 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) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (100%) of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such Workers' Compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts satisfactory to the Authority and the Council; and as is customarily carried with respect to works and properties similar to the Project. 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 5.16. 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 5.17. Completion and Operation of Project; Permits and Orders. The Issuer hereby covenants and agrees to 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 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.

The Issuer will obtain all permits and approvals required by State and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System with the appeal periods having expired without successful appeal.

Section 5.18. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all terms and conditions of the Loan Agreement. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority or other state, federal or local bodies in regard to the purchase and acquisition of the Project and the operation, maintenance and use of the System.

Section 5.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of ten percent (10%) of the Net Proceeds of the Bonds are used for private business use if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a private business use or in payments in respect of property used or to be used for a private business use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a private business use, and (ii) and that, in the event that both (A) in excess of five percent (5%) of the Net Proceeds of the Bonds are used for a private business use, and (B) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said private business use or in payments in respect of property used or to be used for said private business use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said private business use, then said excess over said five percent (5%) or Net Proceeds of the Bonds used for a private business use shall be used for a Private Business Use related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such private business use is related.

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

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

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

E. **FURTHER ACTIONS.** The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 5.20. Securities 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, annual operating related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, (240, 15c2-12).

Section 5.21. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the construction of the Project and operation of the System, and the Authority shall receive an opinion of counsel to the Issuer to such effect.

Section 5.22. Restrictions on Use of Bond Proceeds. The Issuer agrees that it will be in default hereunder if any Bond proceeds are used for a purpose that contributes to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

ARTICLE VI

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 6.01. Investments. Any moneys held as a part of the funds and accounts created or continued by this Resolution, other than the Revenue Fund, shall be invested and re-invested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 6.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are outstanding.

Section 6.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "Arbitrage Bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it or shall refrain from taking any action, as shall be deemed necessary by the Authority (including, without implied limitation, the timely filing of a Federal Information Return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.03. 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 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, 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 Resolution.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder, and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate

Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 6.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 6.03 in accordance with the requirements of Section 148(f) of the Code or such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within fifteen (15) days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto. The Issuer shall furnish to the Authority such information with respect to earnings on all moneys constituting "Gross Proceeds" of the Bonds (as such term is defined in the Code) from time to time as the Authority may request. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority.

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds in this Resolution, any Supplemental Resolution, or in the Bonds, as the case may be, and such default shall have continued for a period of thirty (30) days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder of a Bond; or

(C) 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 7.02. Remedies. Upon the happening and continuance of any Event of Default, any Holder 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 the Holders of the Bonds including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, (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 Holders 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 the Holders of the Bonds.

Section 7.03. 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 Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default in payment of principal of or interest on the Bonds with respect to such Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project or both, as provided by law, 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 Bond and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

Such receiver, in the performance of the powers hereinabove conferred upon him, 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 the Holder or Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and the Holder or Holders of the Bonds under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE VIII

DEFEASANCE

Section 8.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution, the funds pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to Holders of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited in the Bonds Payment Fund at the same or earlier time, shall be sufficient, to pay as and when due the principal of and interest, if any, on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Depository Bank either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which when due, will provide moneys which, together with the moneys, if any, deposited with the Depository Bank at the same time, shall be sufficient, to pay when due the principal of and interest, if any, due and to become due on said Bonds on and prior to the maturity dates thereof. Neither securities nor moneys deposited with the Depository Bank 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 respective principal of and interest, if any, on the Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Depository Bank if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest, if any, to become due on the Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestment shall be paid over to the Issuer as received by the Depository Bank free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Amendment or Modification of Resolution. Prior to issuance of the Bonds, this Resolution may be amended or supplemented in any way by a Supplemental Resolution. Following issuance of the 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 Bondholders shall be made without the consent in writing of the Holders of the Bonds then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Holder thereof.

Section 9.02. Resolution Constitutes Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the Holder of the Bonds, and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 9.03. 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 or the Bonds.

Section 9.04. 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 9.05. Conflicting Provisions Repealed. All resolutions, indentures or orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 9.06. 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 and passage of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Acting Chairman, Secretary and members of the Public Service Board 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 9.07. Effective Date. This Resolution shall take effect immediately upon adoption hereof.

Section 9.08. Statutory Notice and Public Hearing. Prior to adoption hereof, an abstract of this Resolution determined to contain sufficient information as to give notice of the contents hereof shall be published in a qualified newspaper published and of general circulation in Lincoln

County, together with a notice stating that this Resolution will be considered for adoption and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Issuer's Public Service Board upon a date certain, not less than ten (10) days subsequent to the date of the publication of such abstract of this Resolution and notice, and present protests, and that a certified copy of this Resolution is on file with the Issuer for review by interested persons during office hours of the Issuer. At such hearing, all objections and suggestions shall be heard and the Issuer's Public Service Board shall take such action as it shall deem proper in the premises.

Adopted Following Public Hearing – July 22, 1998

Adopted this 22nd day of July, 1998.

BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT

By: [Signature]
Acting Chairman

By: [Signature]
Member

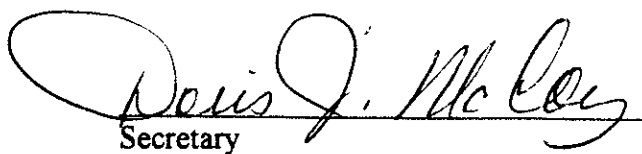
By: _____
Member

CERTIFICATION

The undersigned does hereby certify that the attached Bond Resolution is a true and accurate copy of the Bond Resolution duly adopted by the Public Service Board of BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT on July 22, 1998, and that the foregoing document remains in full force and effect and has not been amended.

Dated: July 22, 1998.

[SEAL]


Secretary

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");

BRANCHLAND-MIDKIFF PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

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 construct, operate and improve a project, as defined by the Act, and to finance the cost of constructing or acquiring 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

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 of 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

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 is outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident 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 resident engineer shall certify to the Authority 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 agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained 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 construction of the Project and for two years following the completion 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 15th of each month to the Authority and Council.

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 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;

(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 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, 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 water development projects and satisfactory to the Authority, to such effect, such certificate to be in form and substance satisfactory to the Authority, and evidence satisfactory to the Authority 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 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

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, if any (the "Reserve Account"), was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving 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 the gross or net revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

(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, if any, established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement") 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

(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, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Governmental Agency's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

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

(xiii) That for wastewater systems, 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 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 for non-construction costs) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim funding 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, 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, unless it qualifies for an exception to the provisions of Section 148 of the Code, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

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 of first payment 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 State's general obligation 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, as 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 minimum sums set forth in the Local Act, 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 so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

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 upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency 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 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

7.3 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.

7.4 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.

7.5 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.

7.6 This Loan Agreement merges and 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.

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.

BRANCHLAND-MIDKIFF PUBLIC
SERVICE DISTRICT

(SEAL)

By: [Signature]
Its: [Signature]

Date: 7/23/97

Attest:

[Signature]
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: [Signature]
Director

Date: 7/29/98

Attest:

[Signature]
Secretary-Treasurer

pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this ____ day of ____, 19__.

By: _____

West Virginia License No. _____

[SEAL]

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 cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a duly organized and presently existing _____, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. [If required, the Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes.]

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

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

Very truly yours,

Witnesseth my signature this ___ day of ___, 19__.

[Name of Governmental Agency]

By: _____
Authorized Officer

CHASFS3:58465

Schedule Y
Quarterly Debt Service Schedule

Branchland-Midkiff Public Service District

\$1,280,000

Infrastructure Fund Loan

Term (Yrs.): 40		Interest: 0.00%		
First Payment: 12/01/99		Final Payment: 6/1/38		
Date	#	Principal	Interest	Total
9/1/99				
12/1/99	1	8,258.06		8,258.06
3/1/00	2	8,258.06		8,258.06
6/1/00	3	8,258.06		8,258.06
9/1/00	4	8,258.06		8,258.06
12/1/00	5	8,258.06		8,258.06
3/1/01	6	8,258.06		8,258.06
6/1/01	7	8,258.06		8,258.06
9/1/01	8	8,258.06		8,258.06
12/1/01	9	8,258.06		8,258.06
3/1/02	10	8,258.06		8,258.06
6/1/02	11	8,258.06		8,258.06
9/1/02	12	8,258.06		8,258.06
12/1/02	13	8,258.06		8,258.06
3/1/03	14	8,258.06		8,258.06
6/1/03	15	8,258.06		8,258.06
9/1/03	16	8,258.06		8,258.06
12/1/03	17	8,258.06		8,258.06
3/1/04	18	8,258.06		8,258.06
6/1/04	19	8,258.06		8,258.06
9/1/04	20	8,258.06		8,258.06
12/1/04	21	8,258.06		8,258.06
3/1/05	22	8,258.06		8,258.06
6/1/05	23	8,258.06		8,258.06
9/1/05	24	8,258.06		8,258.06
12/1/05	25	8,258.06		8,258.06
3/1/06	26	8,258.06		8,258.06
6/1/06	27	8,258.06		8,258.06
9/1/06	28	8,258.06		8,258.06
12/1/06	29	8,258.06		8,258.06
3/1/07	30	8,258.06		8,258.06
6/1/07	31	8,258.06		8,258.06
9/1/07	32	8,258.06		8,258.06
12/1/07	33	8,258.06		8,258.06
3/1/08	34	8,258.06		8,258.06
6/1/08	35	8,258.06		8,258.06
9/1/08	36	8,258.06		8,258.06
12/1/08	37	8,258.06		8,258.06
3/1/09	38	8,258.06		8,258.06
6/1/09	39	8,258.06		8,258.06
9/1/09	40	8,258.06		8,258.06

Schedule Y
Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
12/1/09	41	8,258.06		8,258.06
3/1/10	42	8,258.06		8,258.06
6/1/10	43	8,258.06		8,258.06
9/1/10	44	8,258.06		8,258.06
12/1/10	45	8,258.06		8,258.06
3/1/11	46	8,258.06		8,258.06
6/1/11	47	8,258.06		8,258.06
9/1/11	48	8,258.06		8,258.06
12/1/11	49	8,258.06		8,258.06
3/1/12	50	8,258.06		8,258.06
6/1/12	51	8,258.06		8,258.06
9/1/12	52	8,258.06		8,258.06
12/1/12	53	8,258.06		8,258.06
3/1/13	54	8,258.06		8,258.06
6/1/13	55	8,258.06		8,258.06
9/1/13	56	8,258.06		8,258.06
12/1/13	57	8,258.06		8,258.06
3/1/14	58	8,258.06		8,258.06
6/1/14	59	8,258.06		8,258.06
9/1/14	60	8,258.06		8,258.06
12/1/14	61	8,258.06		8,258.06
3/1/15	62	8,258.06		8,258.06
6/1/15	63	8,258.06		8,258.06
9/1/15	64	8,258.06		8,258.06
12/1/15	65	8,258.06		8,258.06
3/1/16	66	8,258.06		8,258.06
6/1/16	67	8,258.06		8,258.06
9/1/16	68	8,258.06		8,258.06
12/1/16	69	8,258.06		8,258.06
3/1/17	70	8,258.06		8,258.06
6/1/17	71	8,258.06		8,258.06
9/1/17	72	8,258.06		8,258.06
12/1/17	73	8,258.06		8,258.06
3/1/18	74	8,258.06		8,258.06
6/1/18	75	8,258.06		8,258.06
9/1/18	76	8,258.06		8,258.06
12/1/18	77	8,258.06		8,258.06
3/1/19	78	8,258.06		8,258.06
6/1/19	79	8,258.06		8,258.06
9/1/19	80	8,258.06		8,258.06
12/1/19	81	8,258.06		8,258.06
3/1/20	82	8,258.06		8,258.06
6/1/20	83	8,258.06		8,258.06
9/1/20	84	8,258.06		8,258.06
12/1/20	85	8,258.06		8,258.06
3/1/21	86	8,258.06		8,258.06
6/1/21	87	8,258.06		8,258.06
9/1/21	88	8,258.06		8,258.06

Schedule Y
Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
12/1/21	89	8,258.06		8,258.06
3/1/22	90	8,258.06		8,258.06
6/1/22	91	8,258.06		8,258.06
9/1/22	92	8,258.06		8,258.06
12/1/22	93	8,258.06		8,258.06
3/1/23	94	8,258.06		8,258.06
6/1/23	95	8,258.06		8,258.06
9/1/23	96	8,258.06		8,258.06
12/1/23	97	8,258.06		8,258.06
3/1/24	98	8,258.06		8,258.06
6/1/24	99	8,258.06		8,258.06
9/1/24	100	8,258.06		8,258.06
12/1/24	101	8,258.06		8,258.06
3/1/25	102	8,258.06		8,258.06
6/1/25	103	8,258.06		8,258.06
9/1/25	104	8,258.06		8,258.06
12/1/25	105	8,258.06		8,258.06
3/1/26	106	8,258.06		8,258.06
6/1/26	107	8,258.06		8,258.06
9/1/26	108	8,258.06		8,258.06
12/1/26	109	8,258.06		8,258.06
3/1/27	110	8,258.06		8,258.06
6/1/27	111	8,258.06		8,258.06
9/1/27	112	8,258.06		8,258.06
12/1/27	113	8,258.06		8,258.06
3/1/28	114	8,258.06		8,258.06
6/1/28	115	8,258.06		8,258.06
9/1/28	116	8,258.06		8,258.06
12/1/28	117	8,258.06		8,258.06
3/1/29	118	8,258.06		8,258.06
6/1/29	119	8,258.06		8,258.06
9/1/29	120	8,258.06		8,258.06
12/1/29	121	8,258.06		8,258.06
3/1/30	122	8,258.06		8,258.06
6/1/30	123	8,258.06		8,258.06
9/1/30	124	8,258.06		8,258.06
12/1/30	125	8,258.06		8,258.06
3/1/31	126	8,258.06		8,258.06
6/1/31	127	8,258.06		8,258.06
9/1/31	128	8,258.06		8,258.06
12/1/31	129	8,258.06		8,258.06
3/1/32	130	8,258.06		8,258.06
6/1/32	131	8,258.06		8,258.06
9/1/32	132	8,258.06		8,258.06
12/1/32	133	8,258.06		8,258.06
3/1/33	134	8,258.06		8,258.06
6/1/33	135	8,258.06		8,258.06
9/1/33	136	8,258.06		8,258.06

Schedule Y
Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
12/1/33	137	8,258.06		8,258.06
3/1/34	138	8,258.06		8,258.06
6/1/34	139	8,258.06		8,258.06
9/1/34	140	8,258.06		8,258.06
12/1/34	141	8,258.06		8,258.06
3/1/35	142	8,258.06		8,258.06
6/1/35	143	8,258.06		8,258.06
9/1/35	144	8,258.06		8,258.06
12/1/35	145	8,258.06		8,258.06
3/1/36	146	8,258.06		8,258.06
6/1/36	147	8,258.06		8,258.06
9/1/36	148	8,258.06		8,258.06
12/1/36	149	8,258.06		8,258.06
3/1/37	150	8,258.06		8,258.06
6/1/37	151	8,258.06		8,258.06
9/1/37	152	8,258.06		8,258.06
12/1/37	153	8,258.06		8,258.06
3/1/38	154	8,258.06		8,258.06
6/1/38	155	8,258.76		8,258.76
		1,280,000.00		1,280,000.00

\$1,280,000
BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998

CERTIFICATE OF CONSULTING ENGINEER

I, Jonathan M. Fowler, Registered Professional Engineer, West Virginia License No. 8945 of HAWORTH, MEYER & BOLEYN, INC., South Charleston, West Virginia, hereby certify that my firm is engineer for the acquisition and construction of certain additions, betterments and improvements to the water system (herein called the "Project") of the Branchland/Midkiff Public Service District (the "Issuer"), located in Lincoln County, West Virginia, a portion of which cost is being financed by the above-captioned bond (the "Bond") of the Issuer. Capitalized terms used and not otherwise defined herein shall have the meaning assigned to such terms in the Bond Resolution adopted by the Public Service Board of the Issuer on July 22, 1998 (the "Resolution"), and the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Infrastructure & Jobs Development Council (the "Council") dated July 29, 1998.

1. The Bond is being issued for the purpose of financing a portion of the costs of the Project.

2. The undersigned hereby certifies that to the best of his knowledge after due inquiry (i) the Project will be constructed based upon approved plans, specifications and designs which have been prepared by my firm as described in and in accordance with the application submitted to the Authority requesting the Authority to purchase the Bond (the "Application") and which have been or will be approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it will be constructed and will have an estimated useful life of at least forty (40) years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the chosen bidder received any and all addenda to the original bid documents, (v) the bid documents reflect the Project as approved by the West Virginia Bureau for Public Health, (vi) the chosen bid includes every construction item necessary to complete the Project, or explains any deviation thereof, (vii) the uniform bid procedures were followed, (viii) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (ix) the rates and charges for the System as adopted by the Public Service Board of the Issuer are or will be sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (x) the net proceeds of the Bond, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grant irrevocably committed therefor, are or will be sufficient to pay the costs of construction of the Project as set forth in the Application, and (xi) attached hereto as Exhibit B is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 29th day of July, 1998.

HAWORTH, MEYER & BOLEYN, INC.

By: 

Regional Manager

West Virginia License No. 8945



[SEAL]

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE B

Branchland-Midkiff Public Service District

Water System Extension Project 97W-298

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

A. Cost of Project	Total
1. Construction (Based on Actual Bids)	2,065,925.00
2. Technical Services	
a. Preliminary Engineering	1,500.00
b. Design	129,981.16
c. Special Services	15,000.00
d. Inspection	95,424.29
3. Legal & Fiscal	
a. Legal	15,000.00
b. Fiscal	5,000.00
4. Administrative	35,000.00
5. Sites and Other Lands	7,500.00
6. Other Costs	
a. Legal Advertisement	2,325.27
b. Permits	885.00
7. Interim Financing Costs	
8. Contingency	170,459.28
9. Total of Lines 1 through 8	2,544,000.00
B. Sources of Funds	
10. Federal Grants:	
11. State Grants:	
12. Other Grants:	
13. Any Other Source:	
14. Infrastructure Fund Grant	1,280,000.00
15. Total of Lines 10 through 14	1,280,000.00
16. Net Proceeds Required from Bond Issue (Line 9 minus Line 15)	1,280,000.00
C. Cost of Financing	
17. Funded Reserve Account	
18. Other Costs	250.00
a. Bond Counsel	15,750.00
19. Total Cost of Financing (Lines 17 and 18)	16,000.00
20. Size of Bond Issue (Line 16 plus Line 19)	1,280,000.00

GOVERNMENTAL AGENCY

DATE:

CONSULTING ENGINEER

DATE:

Mark A. Bowen
CERTIFIED PUBLIC ACCOUNTANT
19 3RD STREET
P.O. BOX 415
HAMLIN, WEST VIRGINIA 25523
PHONE: (304) 824-3880

Branchland-Midkiff Public Service District
Route 2 Box 496
Branchland, West Virginia 25506

West Virginia Infrastructure and Jobs
Development Council
980 One Valley Square
Charleston, West Virginia 25301

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311-1571

Re: \$1,280,000. Branchland-Midkiff Public Service District Water Revenue Bonds, Series
1998

Gentlemen:

I, Mark A. Bowen, a Certified Public Accountant, License No. 1286, Hamlin, West Virginia, have reviewed the water service rates which were enacted by the Branchland-Midkiff Public Service District (the "District"), pursuant to a Rate Resolution authorized by the Public Service Commission of West Virginia. It is my opinion that the schedule of rates set forth in the Rate Resolution are adequate to pay operation and maintenance expenses of the System, as defined in the Bond Resolution, hereinafter described, to pay the principal of and interest, if any, on the 1998 Bonds and the Prior Bonds, as defined in the Bond Resolution, and to meet the one hundred fifteen percent (115%) debt service coverage requirement of the 1998 Bonds and the Prior Bonds, as defined in the Bond Resolution enacted and adopted by the Public Service Board of the District and effective on July 22, 1998, and are sufficient to comply with the provisions of the Loan Agreement entered into between the District and the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council dated July 27, 1998.

WITNESS my signature as of this 29th day of July, 1998.



Mark A. Bowen,
Certified Public Accountant

\$1,280,000
BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE OF SECRETARY AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, Doris McCoy, the duly elected Secretary of the Branchland/Midkiff Public Service District (the "District"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of the \$1,280,000 Branchland/Midkiff Public Service District, Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund) (the "Bonds"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the District and delivered in the transcript of proceedings, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Order Creating the District.
2. Oaths of Office of the Chairman, Secretary and Members of the Public Service Board (the "Board").
3. Bond Resolution (the "Resolution") adopted on July 22, 1998.
4. Minutes of the July 22, 1998 meeting of the Board wherein the Resolution was considered and approved.
5. Affidavit of publication of the abstract and notice of meeting on the Resolution published in The Lincoln Journal.
6. Loan Agreement dated July 29, 1998.
7. Recommended Decision of the Public Service Commission of West Virginia entered on April 24, 1998, in Case No. 97-0964-PWD-CN.
8. Commission Order Reopening Proceeding and Granting Petition of the Public Service Commission of West Virginia dated July 24, 1998.
9. Commitment Letter from the West Virginia Infrastructure and Jobs Development Council dated May 12, 1997, and Approval Leter dated April 7, 1997.
10. Rate Resolution adopted on July 22, 1998.

WITNESS my signature and the official seal of the Branchland/Midkiff Public Service District
as of the 29th day of July, 1998.


Secretary

(SEAL)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 29th day of July, 1998, by and between BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, at its office located in Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$1,280,000 aggregate principal amount of Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund), in fully registered form (the "Bonds"), pursuant to a Resolution enacted and adopted by the Issuer and effective on July 22, 1998 (the "Resolution");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Resolution, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Resolution provides for the appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Resolution and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Resolution and to take certain other actions hereinafter set forth.

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of the Paying Agent and Registrar, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver the Notes upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Bonds from federal income taxation, 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 Paying Agent and 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, from time to time, reasonable compensation for services rendered and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement the provisions of the Resolution with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Resolution, the terms of the Resolution shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Resolution will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon sixty (60) days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Branchland/Midkiff Public Service District
Attention: Chairman
Rt. 2, Box 496
Branchland, WV 25506

REGISTRAR: One Valley Bank, National Association
Attention: Charlotte Morgan
P.O. Box 1793
Charleston, WV 25326

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Resolution and instructions provided by the Issuer and the Purchaser thereof.

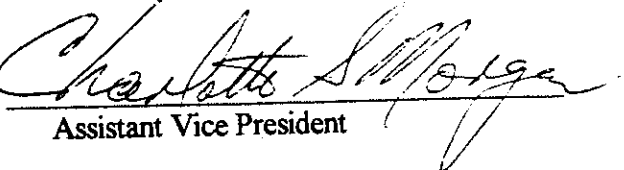
IN WITNESS WHEREOF, BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT and ONE VALLEY BANK, NATIONAL ASSOCIATION have caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day, month and year first above-written.

BRANCH AND MIDKIFF PUBLIC SERVICE DISTRICT

By: 

Acting Chairman

ONE VALLEY BANK, NATIONAL ASSOCIATION

By: 

Assistant Vice President

Exhibit A

See Resolution (Tab No. 6)

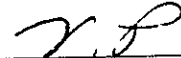
\$1,280,000
BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

The Twentieth Street Bank, at its office located in West Hamlin, Lincoln County, West Virginia, hereby accepts appointment as Depository Bank in connection with a Resolution of Branchland/Midkiff Public Service District (the "District") duly enacted and adopted by the Public Service Board of the District (the "Board") and effective on July 22, 1998 (the "Resolution"), authorizing issuance of Branchland/Midkiff Public Service District Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund), dated July 29, 1998, in the aggregate principal amount of \$1,280,000, and agrees to perform all duties of Depository Bank as set forth in the Resolution.

Witness my signature as of the 29th day of July, 1998.

THE TWENTIETH STREET BANK

By: 
Its: 

\$1,280,000
BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

ACCEPTANCE OF DUTIES OF REGISTRAR

One Valley Bank, National Association, at its office located in Charleston, Kanawha County, West Virginia, hereby accepts appointment as Registrar in connection with a Resolution of Branchland/Midkiff Public Service District (the "District") duly enacted and adopted by the Public Service Board of the District (the "Board") and effective on July 22, 1998 (the "Resolution"), authorizing issuance of Branchland/Midkiff Public Service District Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund), dated July 29, 1998, in the aggregate principal amount of \$1,280,000, and agrees to perform all duties of Registrar as set forth in the Resolution.

Witness my signature as of the 29th day of July, 1998.

ONE VALLEY BANK, NATIONAL ASSOCIATION

By: Charlotte S. Morgan
Assistant Vice President

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION
AND DELIVER OF THE BOND

July 29, 1998

One Valley Bank, National Association
P.O. Box 1793
Charleston, WV 25326

Ladies and Gentlemen:

We herewith hand to you, duly executed, \$1,280,000 Branchland/Midkiff Public Service District, Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund), in the form of a single Bond, numbered R-1 (the "Bond") of the Branchland/Midkiff Public Service District (the "District"), authorized to be issued under and pursuant to the Resolution, duly adopted by the Board of the District on July 22, 1998.

You are hereby requested and authorized to authenticate and register the Bond and to deliver the Bond on behalf of the District to the West Virginia Water Development Authority, the original purchaser thereof, upon receipt by the District of \$158,296.00, being more than a de minimus portion of the proceeds of the Bond.

Branchland/Midkiff Public Service District

By: 

Acting Chairman

(SEAL)

Attest:


Secretary

\$1,280,000
BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

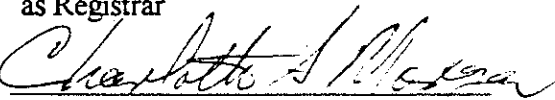
CERTIFICATE OF REGISTRATION OF BOND

I, Charlotte Morgan, as Assistant Vice President, of One Valley Bank, National Association, as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and the Branchland/Midkiff Public Service District (the "District") dated as of the date hereof, hereby certify that on the 29th day of July, 1998, the Bond of the District in the principal amount of \$1,280,000 designated "Branchland/Midkiff Public Service District, Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund)", and numbered R-1, dated as of the date hereof, was registered as to principal and interest in the name of "The West Virginia Water Development Authority" on the books of the Registrar kept for that purpose at our office, by a duly authorized officer on behalf of the Registrar.

WITNESS my signature as of the 29th day of July, 1998.

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By


Assistant Vice President

\$1,280,000
BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned Daniel B. Yonkosky, Director of the West Virginia Water Development Authority (the "WDA"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council, and Ronald D. Lucas, Acting Chairman of the Branchland/Midkiff Public Service District, Lincoln County, West Virginia (the "Issuer"), hereby certify as follows:

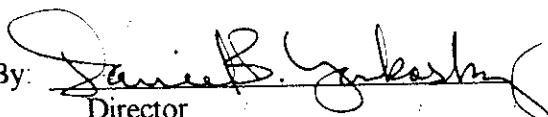
1. On the 29th day of July, 1998, the WDA received the entire original issue in aggregate principal amount of \$1,280,000 of the Water Revenue Bonds, Series 1998 (West Virginia Infrastructure Fund), of the Issuer (the "Bonds"). The Bond, as so received on original issuance, is dated July 29, 1998, and is issued as Bond Number R-1 in the denomination of \$1,280,000.

2. At the time of receipt of the Bond, the Bond had been executed by Ronald D. Lucas, as Acting Chairman of the Issuer, by his manual signature, and by Doris McCoy, as Secretary of the Issuer, by her manual signature, and the official seal of the Issuer had been imprinted upon the Bond.

3. The Issuer has received and hereby acknowledges receipt from the WDA, as the original purchaser of the Bond, of \$158,296.00, being more than a de minimus portion of the proceeds of the Bonds. The balance will be advanced from time to time to pay costs of the Project as described in the Loan Agreement.

IN WITNESS WHEREOF, this receipt has been signed and delivered on behalf of the West Virginia Water Development Authority, and the Branchland/Midkiff Public Service District, Lincoln County, West Virginia, has caused this receipt to be executed by its Acting Chairman, as of the 29th day of July, 1998.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: 
Director

BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT

By: 
Acting Chairman

Copy
Mailed
07/14/98
RM

BRANCHLAND-MIDKIFF PUBLIC SERVICE DISTRICT
Rt. 2, Box 496
Branchland W.Va. 25506-9756

(304) 778-7711

July 14, 1998

West Virginia Water Development
Authority
180 Association Drive
Charleston, West Virginia 25311-1571

NOTICE OF DELIVERY OF BOND

Pursuant to Paragraph 3.4 of the Loan Agreement between the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, and the Branchland/Midkiff Public Service District, you are hereby notified that the District can deliver the Bond on any date on or after July 22, 1998.

BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT

By: *Doris McCoy*
Secretary

REGISTRY

\$1,280,000

BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998 (WEST VIRGINIA INFRASTRUCTURE FUND)

<u>BOND NO.</u>	<u>AMOUNT</u>	<u>HOLDER</u>	<u>DATE ACQUIRED</u>
R-1	\$1,280,000	West Virginia Water Development Authority 180 Association Drive Charleston, WV 25311-1571	July 29, 1998

ALL ASSIGNMENTS OR CHANGES OF OWNERSHIP OF THIS BOND MUST BE
REPORTED ON THIS REGISTRY PURSUANT TO SECTION 3.05 OF THE BOND
RESOLUTION.



United States
Department of
Agriculture

Rural Development

Federal Building, Room 320
75 High Street
Morgantown, WV 26505
TELEPHONE: (304) 291-4796
FAX: (304) 291-4159
TTY/TDD: (304) 284-5941

\$1,280,000
BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1998

CONSENT TO ISSUANCE OF PARITY BOND AND
WAIVER OF DEBT SERVICE COVERAGE REQUIREMENT

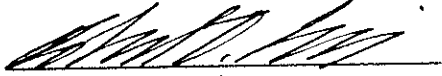
United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), as the registered owner of all the \$180,000 Branchland/Midkiff Public Service District Water-Works System Revenue Bond, Series 1966, issued pursuant to a resolution adopted August 31, 1966 (the "Prior Bond"), hereby consents to the issuance by the Branchland/Midkiff Public Service District, Lincoln County, West Virginia (the "District"), of not more than \$1,280,000 in aggregate principal amount of parity water revenue bonds (the "1998 Bond") to be sold to the West Virginia Infrastructure and Jobs Development Council. The Government hereby further consents that the 1998 Bond may be payable from the revenues of the water system of the District and otherwise secured on a parity with the Prior Bond. This consent is given pursuant to Section 14 of the bond resolution authorizing the Prior Bond.

In addition, the Government hereby waives the one hundred fifty percent (150%) debt service coverage requirement set forth in Section 14B of the bond resolution authorizing the Prior Bond. Upon the issuance of the 1998 Bond, the debt service coverage requirement for the Prior Bond shall be one hundred fifteen percent (115%) of the maximum amount of annual debt service on the Prior Bond and the 1998 Bond, as provided in the bond resolution authorizing the issuance of the 1998 Bond.

By the execution of this consent and waiver, the undersigned hereby certifies that he is fully empowered and authorized to execute this consent and waiver on behalf of the Government.

WITNESS my signature this 26th day of February, 1998.

UNITED STATES OF AMERICA
UNITED STATES DEPARTMENT OF
AGRICULTURE, Rural Development

By: 

Robert D. Lewis
State Director

RESOLUTION OF THE BOARD OF THE BRANCHLAND/MIDKIFF
PUBLIC SERVICE DISTRICT APPOINTING RONALD D. LUCAS
TO SERVE AS ACTING CHAIRMAN

WHEREAS, the Branchland/Midkiff Public Service District (the "District"), during the temporary illness and absence of its duly elected Chairman, Harold R. Smith, finds it necessary to appoint an Acting Chairman in order to conduct its business affairs; and

WHEREAS, the remaining members of the Public Service Board desire to appoint Ronald D. Lucas to serve as acting Chairman until such time as Harold R. Smith returns to good health and is able to resume his role as Chairman of the District.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE DISTRICT AS FOLLOWS:

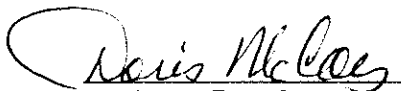
RESOLVED, that Ronald D. Lucas is hereby appointed Acting Chairman of the District, to hold office during the illness of Harold R. Smith; and

RESOLVED FURTHER, that said Acting Chairman shall perform the duties and have the powers of the Chairman during his absence and shall perform such other duties as the Board may designate from time to time.

Adopted by the Public Service Board of the District at a special meeting duly called and held on the 22nd day of July 1998.

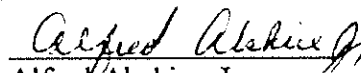
[SEAL]

ATTEST:


Doris McCoy, Secretary



Ronald D. Lucas



Alfred Abshire, Jr.

LAW OFFICES
GOODWIN & GOODWIN, LLP
P. O. BOX 2107
1500 ONE VALLEY SQUARE
CHARLESTON, WEST VIRGINIA 25328-2107
304/346-7000
TELECOPIER 304/344-9692

201 THIRD STREET
PARKERSBURG, WEST VIRGINIA 26101
304/485-2345

P. O. BOX 349
500 CHURCH STREET
RIPLEY, WEST VIRGINIA 25271
304/372-2651

July 29, 1998

REPLY TO:

West Virginia Infrastructure and
Jobs Development Council
980 One Valley Square
Charleston, WV 25301

West Virginia Water Development
Authority
180 Association Drive
Charleston, West Virginia 25311-1571

Re: \$1,280,000 Branchland/Midkiff Public Service District
Water Revenue Bonds, Series 1998
(West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We are bond counsel to the Branchland/Midkiff Public Service District (the "District"), a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia located in Lincoln County, West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of the Loan Agreement, dated July 29, 1998, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the District and the West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a bond of the District, dated July 29, 1998 (the "Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are in the principal amount of \$1,280,000. The Bonds are issued in the form of one bond, fully registered as to principal to the Authority, with principal payable in installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 1999, as set forth on Exhibit A incorporated in and made a part of the Bond.

The Bonds are issued for the purpose of financing a portion of the acquisition and construction costs for a water system extension (the "System") and paying certain issuance and other costs in

GOODWIN & GOODWIN, LLP

connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the District on July 22, 1998 (the "Local Act"), pursuant to and under which Local Statute and Local Act the Bonds are authorized and issued, and the Loan Agreement has been undertaken. 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 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 District and is a valid and binding special obligation of the District 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 and the Council or diminish the obligations of the District without the consent of the Authority and the Council.
3. The District is a duly organized and presently existing public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia, with full power and authority to acquire and construct the System and to issue and sell the Bonds, all under the Local Statute and other applicable provisions of law.
4. The District has legally and effectively adopted the Local Act and has satisfied all other necessary requirements in connection with the issuance and sale of the Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Article IV of the Loan Agreement.
5. The Bonds are a valid and legally enforceable special obligation of the District, payable from the Net Revenues of the District on a parity with the 1966 Bonds, all in accordance with the terms of the Bonds and the Local Act and have been duly issued and delivered to the Authority.
6. The Bonds are, by statute, exempt from registration.
7. The Bonds are, by the Local Statute, exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

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

GOODWIN & GOODWIN, LLP

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

Respectfully submitted,

Goodwin + Goodwin, LLP
GOODWIN & GOODWIN, LLP

HANNA & BONHAM
ATTORNEYS AT LAW
512 D STREET
P. O. BOX 8070
SOUTH CHARLESTON, WEST VIRGINIA 25303

H. WYATT HANNA III
LARRY M. BONHAM

(304) 744-3150
FAX (304) 744-3157

July 29, 1998

WV Water Development Authority
180 Association Drive
Charleston, WV 25311-1571

Jackson & Kelly
P.O. Box 553
Charleston, WV 25322

RE: \$1,280,000 Branchland-Midkiff Public Service
District
Water Revenue Bonds, Series 1998
(West Virginia Infrastructure Fund)

Dear Ladies and Gentlemen:

We are Counsel to the Branchland-Midkiff Public Service District (the "District"). We have reviewed various documents relating to the above-captioned bonds of the District (the "Bonds"), the Loan Agreement by and between the West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council, and the District, dated July 29, 1998, and a Resolution duly enacted and adopted by the Public Service Board of the District (the "Board") and effective on July 22, 1998 (the "Resolution") and other documents relating to the Bonds. Terms used in this opinion and not otherwise defined herein shall have the same meanings as contained in the Loan Agreement and the Resolution. We are of the opinion as follows:

1. The District is a duly organized and presently existing public service district, with full power and authority to acquire and construct the Project referred to in the Loan Agreement and to issue and sell the Bonds, all under the Resolution and other applicable provisions of law.

WV Water Development Authority
Jackson & Kelly
Bond Opinion
Page 2
July 29, 1998

2. The Loan Agreement has been duly authorized, executed and delivered by the District, and assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the District in accordance with its term.

3. The members of the Board were duly and properly appointed and are thereby authorized to act on behalf of the District.

4. The Resolution has been duly enacted by the Board 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 Resolution and the Loan Agreement 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 District a breach of or default under any agreement or other instrument to which the District is a party or any existing law, regulation, court order or consent decree to which the District is subject.

6. The District has received all necessary permits, licenses, approvals and authorizations that are presently obtainable to acquire and construct and to finance the Project including a letter from the West Virginia Infrastructure and Jobs Development Council and approval by the Public Service Commission of West Virginia.

7. The District has obtained from the West Virginia Public Service Commission a valid, final and non-appealable Recommended Decision and Commission Order in Case No. 97-0964-PWD-CN which lawfully authorizes the District to proceed with the acquisition and construction of the District's water system extension and approval of issuance of the above-captioned bond.

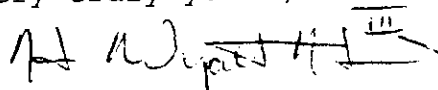
8. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public council or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by or the validity of the Bonds or the collection or pledge of the revenues.

WV Water Development Authority
Jackson & Kelly
Bond Opinion
Page 3
July 29, 1998

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

The foregoing opinion is qualified to the extent that the enforceability of the liens, pledges and terms set forth in the Bonds and in the Resolution may be limited by Bankruptcy, insolvency and other laws affecting the rights of creditors generally.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'H. Wyatt Hanna, III', with a stylized flourish at the end.

H. Wyatt Hanna, III

HWHIII/rb

HANNA & BONHAM
ATTORNEYS AT LAW
512 D STREET
P. O. BOX 8070
SOUTH CHARLESTON, WEST VIRGINIA 25303

H. WYATT HANNA III
LARRY M. BONHAM

(304) 744-3150
FAX (304) 744-3157

July 29, 1998

Ms. Susan J. Riggs, Esquire
Executive Secretary
WV Infrastructure & Jobs
Development Council
980 One Valley Square
Charleston, WV 25301

RE: Branchland-Midkiff Public Service District,
Lincoln County, WV
Water Rehabilitation Project No. 97-W-298

Dear Ms. Riggs:

This firm represents the Branchland-Midkiff Public Service District with regard to the above referenced project. This Title Opinion is being provided to you to satisfy your Agency's requirements with regard to the District's loan through the West Virginia Infrastructure and Jobs Development Council. As such, please be advised of the following:

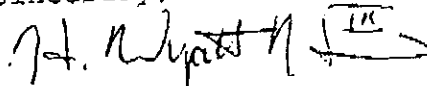
1. That I have investigated and ascertained the location of, and am familiar with the legal description of the necessary sites, including easements and/or rights-of-way, being provided by the Grantee, Branchland-Midkiff Public Service District, for the water rehabilitation project identified as Project No. 97-W-298.

2. That I have examined the records on file in the Office of the Clerk of the County Commission of Lincoln County, West Virginia, the county in which this project is to be located, and, in my opinion, the Grantee, Branchland-Midkiff Public Service District, has, or will acquire through the process of formal condemnation, legal title or such other estate or interest in the necessary site components for the above referenced project, including easements and/or rights-of-way, sufficient to assure undisturbed use and possession for the purpose of construction, operation, and maintenance for the estimated life of the facilities to be constructed.

Ms. Susan J. Riggs, Esquire
Page 4
July 29, 1998

If you should have any questions regarding any of the information contained in this letter, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "H. Wyatt Hanna, III". The signature is stylized with a large, sweeping "H" and a distinct "III" at the end.

H. Wyatt Hanna, III

HWHIII/rb

cc: Branchland-Midkiff PSD
Terry Myers
Mark A. Bowen, CPA
William K. Bragg, Jr., Esquire

(304) 558-3971

(See Reverse for Instructions)

PAYING AGENT: Municipal
Bond Commission

REOUTRED:

(print on back of form)

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 WV 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 close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

If you should have any questions concerning this form, please call the Commission.

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1998
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. R-1

\$1,280,000.00

Date: July 29, 1998

KNOW ALL MEN BY THESE PRESENTS: That BRANCHLAND/MIDKIFF PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Lincoln County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the sources and in the manner provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the principal sum of One Million Two Hundred Eighty Thousand and 00/100 Dollars (\$1,280,000.00 - U.S.), 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 hereto and incorporated herein by reference as a part hereof, without interest on the unpaid principal balance.

The principal of and interest on this Bond are payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal shall be repaid in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 1999, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference.

Principal on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia (the "Registrar"), on the 15th day of the month next preceding such payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council") and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated July 29, 1998, by and between the Issuer and the Authority, on behalf of the Council.

This Bond is issued (i) to finance a portion of the costs of the acquisition and construction of water service extensions of the Issuer, the Project, and together with any existing water facilities of the Issuer and any further additions, betterments and improvements thereto, collectively referred to as the "System") and (ii) to pay the costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 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 July 22, 1998 (the "Bond Legislation"), and is subject to all the terms and conditions thereof.

The principal of this Bond is payable only from and secured by a first lien on Net Revenues (as defined in the Bond Legislation) of the System, on a parity with the Issuer's \$180,000 Water-Works System Revenue Bond, Series A (1966) (the "Prior Bonds"), moneys in the Series 1998 Bonds Reserve Account and unexpended proceeds of this Bond. All moneys from the operation of the System shall be deposited into the Revenue Fund established or continued under the Bond Legislation for the prompt payment of the principal of this Bond on a parity with the Prior Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside in a special fund hereby pledged for such purpose. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on this Bond, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with this Bond, as well as the Prior Bonds; provided however, that so long as the Series 1998 Bonds Reserve Account is funded in an amount at least equal to the maximum amount of principal and interest which will come due on this Bond in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with this Bond, including the Prior Bonds, is funded in an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of this Bond for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

On August 1, 1999, if the amount set forth on the Record of Advances is less than \$1,280,000, the Authority shall upon written instruction of the Council revise Exhibit B to reflect the lesser amount but amortized at the same interest rate and quarterly payment amount.

Under the Act, this Bond is exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

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

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

THIS BOND SHALL BE ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT WITH THE ISSUER'S \$180,000 WATER-WORKS SYSTEM REVENUE BOND, SERIES A (1966).

The loan will be in default should any proceeds of the loan funds obtained from this parity bond issue 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 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, BRANCLAND/MIDKIFF PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by its Acting Chairman and its corporate seal to be hereunto
affixed and attested by its Secretary, and has caused this Bond to be dated July 29, 1998.

[SEAL]

BRANCLAND/MIDKIFF PUBLIC SERVICE
DISTRICT

By: [Signature]
Acting Chairman

Attest:

By: [Signature: Doris McCarty]
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: July 29, 1998.

SECRET
STONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By:

Charlotte S. Morgan
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 said Bond on the books of the Registrar on behalf of said Issuer with full power of substitution in the premises.

Dated: _____

IN THE PRESENCE OF :

RECORD OF ADVANCES

<u>AMOUNT</u>		<u>DATE</u>	<u>AMOUNT</u>		<u>DATE</u>
(1)	\$ 158,296.00	July 29, 1998	(16)	\$	
(2)	\$		(17)	\$	
(3)	\$		(18)	\$	
(4)	\$		(19)	\$	
(5)	\$		(20)	\$	
(6)	\$		(21)	\$	
(7)	\$		(22)	\$	
(8)	\$		(23)	\$	
(9)	\$		(24)	\$	
(10)	\$		(25)	\$	
(11)	\$		(26)	\$	
(12)	\$		(27)	\$	
(13)	\$		(28)	\$	
(14)	\$		(29)	\$	
(15)	\$		(30)	\$	

TOTAL

\$

Schedule Y
Quarterly Debt Service Schedule

Branchland-Midkiff Public Service District
\$1,280,000

Infrastructure Fund Loan

Term (Yrs.): 40 **Interest:** 0.00%
First Payment: 12/01/99 **Final Payment:** 6/1/38

Date	#	Principal	Interest	Total
9/1/99				
12/1/99	1	8,258.06		8,258.06
3/1/00	2	8,258.06		8,258.06
6/1/00	3	8,258.06		8,258.06
9/1/00	4	8,258.06		8,258.06
12/1/00	5	8,258.06		8,258.06
3/1/01	6	8,258.06		8,258.06
6/1/01	7	8,258.06		8,258.06
9/1/01	8	8,258.06		8,258.06
12/1/01	9	8,258.06		8,258.06
3/1/02	10	8,258.06		8,258.06
6/1/02	11	8,258.06		8,258.06
9/1/02	12	8,258.06		8,258.06
12/1/02	13	8,258.06		8,258.06
3/1/03	14	8,258.06		8,258.06
6/1/03	15	8,258.06		8,258.06
9/1/03	16	8,258.06		8,258.06
12/1/03	17	8,258.06		8,258.06
3/1/04	18	8,258.06		8,258.06
6/1/04	19	8,258.06		8,258.06
9/1/04	20	8,258.06		8,258.06
12/1/04	21	8,258.06		8,258.06
3/1/05	22	8,258.06		8,258.06
6/1/05	23	8,258.06		8,258.06
9/1/05	24	8,258.06		8,258.06
12/1/05	25	8,258.06		8,258.06
3/1/06	26	8,258.06		8,258.06
6/1/06	27	8,258.06		8,258.06
9/1/06	28	8,258.06		8,258.06
12/1/06	29	8,258.06		8,258.06
3/1/07	30	8,258.06		8,258.06
6/1/07	31	8,258.06		8,258.06
9/1/07	32	8,258.06		8,258.06
12/1/07	33	8,258.06		8,258.06
3/1/08	34	8,258.06		8,258.06
6/1/08	35	8,258.06		8,258.06
9/1/08	36	8,258.06		8,258.06
12/1/08	37	8,258.06		8,258.06
3/1/09	38	8,258.06		8,258.06
6/1/09	39	8,258.06		8,258.06
9/1/09	40	8,258.06		8,258.06

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Schedule Y
Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
12/1/09	41	8,258.06		8,258.06
3/1/10	42	8,258.06		8,258.06
6/1/10	43	8,258.06		8,258.06
9/1/10	44	8,258.06		8,258.06
12/1/10	45	8,258.06		8,258.06
3/1/11	46	8,258.06		8,258.06
6/1/11	47	8,258.06		8,258.06
9/1/11	48	8,258.06		8,258.06
12/1/11	49	8,258.06		8,258.06
3/1/12	50	8,258.06		8,258.06
6/1/12	51	8,258.06		8,258.06
9/1/12	52	8,258.08		8,258.06
12/1/12	53	8,258.06		8,258.06
3/1/13	54	8,258.06		8,258.06
6/1/13	55	8,258.06		8,258.06
9/1/13	56	8,258.06		8,258.06
12/1/13	57	8,258.06		8,258.06
3/1/14	58	8,258.06		8,258.06
6/1/14	59	8,258.06		8,258.06
9/1/14	60	8,258.06		8,258.06
12/1/14	61	8,258.06		8,258.06
3/1/15	62	8,258.06		8,258.06
6/1/15	63	8,258.06		8,258.06
9/1/15	64	8,258.06		8,258.06
12/1/15	65	8,258.06		8,258.06
3/1/16	66	8,258.06		8,258.06
6/1/16	67	8,258.06		8,258.06
9/1/16	68	8,258.06		8,258.06
12/1/16	69	8,258.06		8,258.06
3/1/17	70	8,258.06		8,258.06
6/1/17	71	8,258.06		8,258.06
9/1/17	72	8,258.06		8,258.06
12/1/17	73	8,258.06		8,258.06
3/1/18	74	8,258.08		8,258.06
6/1/18	75	8,258.06		8,258.06
9/1/18	76	8,258.06		8,258.06
12/1/18	77	8,258.06		8,258.06
3/1/19	78	8,258.06		8,258.06
6/1/19	79	8,258.06		8,258.06
9/1/19	80	8,258.06		8,258.06
12/1/19	81	8,258.06		8,258.06
3/1/20	82	8,258.06		8,258.06
6/1/20	83	8,258.06		8,258.06
9/1/20	84	8,258.06		8,258.06
12/1/20	85	8,258.06		8,258.06
3/1/21	86	8,258.06		8,258.06
6/1/21	87	8,258.06		8,258.06
9/1/21	88	8,258.06		8,258.06

Schedule Y
Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
12/1/21	89	8,258.06		8,258.06
3/1/22	90	8,258.06		8,258.06
6/1/22	91	8,258.06		8,258.06
9/1/22	92	8,258.06		8,258.06
12/1/22	93	8,258.06		8,258.06
3/1/23	94	8,258.06		8,258.06
6/1/23	95	8,258.06		8,258.06
9/1/23	96	8,258.06		8,258.06
12/1/23	97	8,258.06		8,258.06
3/1/24	98	8,258.06		8,258.06
6/1/24	99	8,258.06		8,258.06
9/1/24	100	8,258.06		8,258.06
12/1/24	101	8,258.06		8,258.06
3/1/25	102	8,258.06		8,258.06
6/1/25	103	8,258.06		8,258.06
9/1/25	104	8,258.06		8,258.06
12/1/25	105	8,258.06		8,258.06
3/1/26	106	8,258.06		8,258.06
6/1/26	107	8,258.06		8,258.06
9/1/26	108	8,258.06		8,258.06
12/1/26	109	8,258.06		8,258.06
3/1/27	110	8,258.06		8,258.06
6/1/27	111	8,258.06		8,258.06
9/1/27	112	8,258.06		8,258.06
12/1/27	113	8,258.06		8,258.06
3/1/28	114	8,258.06		8,258.06
6/1/28	115	8,258.06		8,258.06
9/1/28	116	8,258.06		8,258.06
12/1/28	117	8,258.06		8,258.06
3/1/29	118	8,258.06		8,258.06
6/1/29	119	8,258.06		8,258.06
9/1/29	120	8,258.06		8,258.06
12/1/29	121	8,258.06		8,258.06
3/1/30	122	8,258.06		8,258.06
6/1/30	123	8,258.06		8,258.06
9/1/30	124	8,258.06		8,258.06
12/1/30	125	8,258.06		8,258.06
3/1/31	126	8,258.06		8,258.06
6/1/31	127	8,258.06		8,258.06
9/1/31	128	8,258.06		8,258.06
12/1/31	129	8,258.06		8,258.06
3/1/32	130	8,258.06		8,258.06
6/1/32	131	8,258.06		8,258.06
9/1/32	132	8,258.06		8,258.06
12/1/32	133	8,258.06		8,258.06
3/1/33	134	8,258.06		8,258.06
6/1/33	135	8,258.06		8,258.06
9/1/33	136	8,258.06		8,258.06

Schedule Y
Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
12/1/33	137	8,258.06		8,258.06
3/1/34	138	8,258.06		8,258.06
6/1/34	139	8,258.06		8,258.06
9/1/34	140	8,258.06		8,258.06
12/1/34	141	8,258.06		8,258.06
3/1/35	142	8,258.06		8,258.06
6/1/35	143	8,258.06		8,258.06
9/1/35	144	8,258.06		8,258.06
12/1/35	145	8,258.06		8,258.06
3/1/36	146	8,258.06		8,258.06
6/1/36	147	8,258.06		8,258.06
9/1/36	148	8,258.06		8,258.06
12/1/36	149	8,258.06		8,258.06
3/1/37	150	8,258.06		8,258.06
6/1/37	151	8,258.06		8,258.06
9/1/37	152	8,258.06		8,258.06
12/1/37	153	8,258.06		8,258.06
3/1/38	154	8,258.06		8,258.06
6/1/38	155	8,258.76		8,258.76
		1,280,000.00		1,280,000.00