

\$1,000,000
CLAY ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

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").

CLAY-ROANE PUBLIC SERVICE DISTRICT
(Governmental Agency)

WITNESSETH:

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

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

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

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

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

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

ARTICLE I

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

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

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

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of

Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

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

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

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

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

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

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

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

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

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

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling

all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

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

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

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and

on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the prior written consent of the Authority and the Council; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that 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 Operating Expenses and debt service and reserve requirements;

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

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

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

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

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

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

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

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

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is

adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

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

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

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

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

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

following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

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

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

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

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

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

ARTICLE V

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

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

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

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

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

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby warrants and represents that all information provided to the Authority and the Council in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit

any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority and the Council shall have the right to cancel all or any of their obligations under this Loan Agreement if (a) any representation made to the Authority and the Council by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Act or this Loan Agreement.

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

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

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

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

ARTICLE VII

Miscellaneous

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

7.2 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be

approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority and the Council.

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

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

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

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

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

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

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

7.10 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Council if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

- (ii) termination by the Authority and the Council pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

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

CLAY-ROANE PUBLIC SERVICE DISTRICT

(SEAL)

By: Melissa Postelwait

Its: Chairperson

Date: November 12, 2004

Attest:

Crystal McKinney
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. York

Its: Director

Date: November 12, 2004

Attest:

Barbara B. Meadows
Its: Secretary-Treasurer

000832/00466

10/04/04

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

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

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

set forth in the Schedule B attached hereto as Exhibit A and my firm¹ has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the [DEP/BPH/PSC] and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof, ²the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project set forth in the Schedule B attached hereto and approved by the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" for the Project.

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

[SEAL]

By: _____
West Virginia License No. _____

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

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

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

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

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

Ladies and Gentlemen:

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

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

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

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior

to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

2. The Loan Agreement inures to the benefit of the Authority and the Council and cannot be amended so as to affect adversely the rights of the Authority or the Council or diminish the obligations of the Governmental Agency without the consent of the Authority and the Council.

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

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

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

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

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

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

Very truly yours,

-22-

EXHIBIT C

MONTHLY FINANCIAL REPORT

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

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

 Name of Person Completing Form

 Address

 Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ($\$1,200/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ($\$900/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

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

EXHIBIT D

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

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

Sinking Fund:

Interest \$_____

Principal \$_____

Total: \$_____

Reserve Account: \$_____

Witness my signature this ____ day of _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$1,000,000

Purchase Price of Local Bonds \$1,000,000

The Local Bonds shall bear no interest. Commencing December 1, 2006, principal of the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall submit its payments monthly to the Commission which will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

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

The Governmental Agency may prepay the Local Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

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

1. Water Revenue Bond, Series 1982, dated September 24, 1982, issued in the original aggregate principal amount of \$192,000 (assumed by the Governmental Agency from Precious Public Service District).
2. Water Revenue Bond, Series 1990, dated November 5, 1990, issued in the original aggregate principal amount of \$450,000.
3. Water Revenue Bond (Varneytown Project), Series 1997, dated April 4, 1997, issued in the original aggregate principal amount of \$40,000.
4. Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), dated November 12, 2004, issued in the original aggregate principal amount of \$360,000.

SCHEDULE Y

\$1,000,000

Clay-Roane PSD

40 Years (from Closing Date); 0% Interest Rate

Closing Date: November 12, 2004

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
12/01/2004	-	-	-
03/01/2005	-	-	-
06/01/2005	-	-	-
09/01/2005	-	-	-
12/01/2005	-	-	-
03/01/2006	-	-	-
06/01/2006	-	-	-
09/01/2006	-	-	-
12/01/2006	6,578.95	-	6,578.95
03/01/2007	6,578.95	-	6,578.95
06/01/2007	6,578.95	-	6,578.95
09/01/2007	6,578.95	-	6,578.95
12/01/2007	6,578.95	-	6,578.95
03/01/2008	6,578.95	-	6,578.95
06/01/2008	6,578.95	-	6,578.95
09/01/2008	6,578.95	-	6,578.95
12/01/2008	6,578.95	-	6,578.95
03/01/2009	6,578.95	-	6,578.95
06/01/2009	6,578.95	-	6,578.95
09/01/2009	6,578.95	-	6,578.95
12/01/2009	6,578.95	-	6,578.95
03/01/2010	6,578.95	-	6,578.95
06/01/2010	6,578.95	-	6,578.95
09/01/2010	6,578.95	-	6,578.95
12/01/2010	6,578.95	-	6,578.95
03/01/2011	6,578.95	-	6,578.95
06/01/2011	6,578.95	-	6,578.95
09/01/2011	6,578.95	-	6,578.95
12/01/2011	6,578.95	-	6,578.95
03/01/2012	6,578.95	-	6,578.95
06/01/2012	6,578.95	-	6,578.95
09/01/2012	6,578.95	-	6,578.95
12/01/2012	6,578.95	-	6,578.95
03/01/2013	6,578.95	-	6,578.95
06/01/2013	6,578.95	-	6,578.95
09/01/2013	6,578.95	-	6,578.95
12/01/2013	6,578.95	-	6,578.95
03/01/2014	6,578.95	-	6,578.95
06/01/2014	6,578.95	-	6,578.95
09/01/2014	6,578.95	-	6,578.95
12/01/2014	6,578.95	-	6,578.95
03/01/2015	6,578.95	-	6,578.95
06/01/2015	6,578.95	-	6,578.95
09/01/2015	6,578.95	-	6,578.95

\$1,000,000

Clay-Roane PSD

40 Years (from Closing Date); 0% Interest Rate

Closing Date: November 12, 2004

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
12/01/2015	6,578.95	-	6,578.95
03/01/2016	6,578.95	-	6,578.95
06/01/2016	6,578.95	-	6,578.95
09/01/2016	6,578.95	-	6,578.95
12/01/2016	6,578.95	-	6,578.95
03/01/2017	6,578.95	-	6,578.95
06/01/2017	6,578.95	-	6,578.95
09/01/2017	6,578.95	-	6,578.95
12/01/2017	6,578.95	-	6,578.95
03/01/2018	6,578.95	-	6,578.95
06/01/2018	6,578.95	-	6,578.95
09/01/2018	6,578.95	-	6,578.95
12/01/2018	6,578.95	-	6,578.95
03/01/2019	6,578.95	-	6,578.95
06/01/2019	6,578.95	-	6,578.95
09/01/2019	6,578.95	-	6,578.95
12/01/2019	6,578.95	-	6,578.95
03/01/2020	6,578.95	-	6,578.95
06/01/2020	6,578.95	-	6,578.95
09/01/2020	6,578.95	-	6,578.95
12/01/2020	6,578.95	-	6,578.95
03/01/2021	6,578.95	-	6,578.95
06/01/2021	6,578.95	-	6,578.95
09/01/2021	6,578.95	-	6,578.95
12/01/2021	6,578.95	-	6,578.95
03/01/2022	6,578.95	-	6,578.95
06/01/2022	6,578.95	-	6,578.95
09/01/2022	6,578.95	-	6,578.95
12/01/2022	6,578.95	-	6,578.95
03/01/2023	6,578.95	-	6,578.95
06/01/2023	6,578.95	-	6,578.95
09/01/2023	6,578.95	-	6,578.95
12/01/2023	6,578.95	-	6,578.95
03/01/2024	6,578.95	-	6,578.95
06/01/2024	6,578.95	-	6,578.95
09/01/2024	6,578.95	-	6,578.95
12/01/2024	6,578.95	-	6,578.95
03/01/2025	6,578.95	-	6,578.95
06/01/2025	6,578.95	-	6,578.95
09/01/2025	6,578.95	-	6,578.95
12/01/2025	6,578.95	-	6,578.95
03/01/2026	6,578.95	-	6,578.95
06/01/2026	6,578.95	-	6,578.95
09/01/2026	6,578.95	-	6,578.95

\$1,000,000

Clay-Roane PSD

40 Years (from Closing Date); 0% Interest Rate

Closing Date: November 12, 2004

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
12/01/2026	6,578.95	-	6,578.95
03/01/2027	6,578.95	-	6,578.95
06/01/2027	6,578.95	-	6,578.95
09/01/2027	6,578.95	-	6,578.95
12/01/2027	6,578.95	-	6,578.95
03/01/2028	6,578.95	-	6,578.95
06/01/2028	6,578.95	-	6,578.95
09/01/2028	6,578.95	-	6,578.95
12/01/2028	6,578.95	-	6,578.95
03/01/2029	6,578.95	-	6,578.95
06/01/2029	6,578.95	-	6,578.95
09/01/2029	6,578.95	-	6,578.95
12/01/2029	6,578.95	-	6,578.95
03/01/2030	6,578.95	-	6,578.95
06/01/2030	6,578.95	-	6,578.95
09/01/2030	6,578.95	-	6,578.95
12/01/2030	6,578.95	-	6,578.95
03/01/2031	6,578.95	-	6,578.95
06/01/2031	6,578.95	-	6,578.95
09/01/2031	6,578.95	-	6,578.95
12/01/2031	6,578.95	-	6,578.95
03/01/2032	6,578.95	-	6,578.95
06/01/2032	6,578.95	-	6,578.95
09/01/2032	6,578.95	-	6,578.95
12/01/2032	6,578.95	-	6,578.95
03/01/2033	6,578.95	-	6,578.95
06/01/2033	6,578.95	-	6,578.95
09/01/2033	6,578.95	-	6,578.95
12/01/2033	6,578.95	-	6,578.95
03/01/2034	6,578.95	-	6,578.95
06/01/2034	6,578.95	-	6,578.95
09/01/2034	6,578.95	-	6,578.95
12/01/2034	6,578.94	-	6,578.94
03/01/2035	6,578.94	-	6,578.94
06/01/2035	6,578.94	-	6,578.94
09/01/2035	6,578.94	-	6,578.94
12/01/2035	6,578.94	-	6,578.94
03/01/2036	6,578.94	-	6,578.94
06/01/2036	6,578.94	-	6,578.94
09/01/2036	6,578.94	-	6,578.94
12/01/2036	6,578.94	-	6,578.94
03/01/2037	6,578.94	-	6,578.94
06/01/2037	6,578.94	-	6,578.94
09/01/2037	6,578.94	-	6,578.94

IF 10-04-04 | SINGLE PURPOSE | 10/4/2004 | 1:38 PM

Femis, Baker, White, Inc.
West Virginia Public Finance Center

\$1,000,000

Clay-Roane PSD

40 Years (from Closing Date); 0% Interest Rate

Closing Date: November 12, 2004

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
12/01/2037	6,578.94	-	6,578.94
03/01/2038	6,578.94	-	6,578.94
06/01/2038	6,578.94	-	6,578.94
09/01/2038	6,578.94	-	6,578.94
12/01/2038	6,578.94	-	6,578.94
03/01/2039	6,578.94	-	6,578.94
06/01/2039	6,578.94	-	6,578.94
09/01/2039	6,578.94	-	6,578.94
12/01/2039	6,578.94	-	6,578.94
03/01/2040	6,578.94	-	6,578.94
06/01/2040	6,578.94	-	6,578.94
09/01/2040	6,578.94	-	6,578.94
12/01/2040	6,578.94	-	6,578.94
03/01/2041	6,578.94	-	6,578.94
06/01/2041	6,578.94	-	6,578.94
09/01/2041	6,578.94	-	6,578.94
12/01/2041	6,578.94	-	6,578.94
03/01/2042	6,578.94	-	6,578.94
06/01/2042	6,578.94	-	6,578.94
09/01/2042	6,578.94	-	6,578.94
12/01/2042	6,578.94	-	6,578.94
03/01/2043	6,578.94	-	6,578.94
06/01/2043	6,578.94	-	6,578.94
09/01/2043	6,578.94	-	6,578.94
12/01/2043	6,578.94	-	6,578.94
03/01/2044	6,578.94	-	6,578.94
06/01/2044	6,578.94	-	6,578.94
09/01/2044	6,578.94	-	6,578.94
Total	\$1,000,000.00	-	\$1,000,000.00

Yield Statistics

Bond Year Dollars	\$20,927.77
Average Life	20.928 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	1.09E-10
Bond Yield for Arbitrage Purposes	1.09E-10
All Inclusive Cost (AIC)	1.09E-10

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.928 Years

SCHEDULE Z

None.

UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

Federal Building, Room 320
75 High Street
Morgantown, WV 26505-7500
TELEPHONE: (304) 291-4796
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February 7, 1997

Telford G. Cruikshank, Jr., Chairman
Clay-Roane Public Service District
P.O. Box 40
Valley Fork, WV 25266

Dear Mr. Cruikshank:

This letter, with attachments 1 through 13 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by the Rural Utilities Service (RUS) by written amendment to this letter. Any changes not approved by RUS shall be cause for discontinuing processing of the application.

The Rural Utilities Service Water and Waste Disposal Loan and Grant Program is administered by USDA - Rural Development, formerly known as the Farmers Home Administration.

This letter is not to be considered as loan and grant approval or as representation to the availability of funds. The docket may be completed on the basis of an RUS loan not to exceed \$360,000, an RUS grant not to exceed \$750,000 and other funding in the amount of \$2,290,000, for a total project cost of \$3,400,000. The other funding is planned in the form of grants from the State of West Virginia, the Appalachian Regional Commission and the West Virginia Infrastructure and Jobs Development Council.

If the loan is made, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form FmHA 1940-1, "Request for Obligation of Funds," is mailed to you. If you want the lower of the two rates, your written request should be submitted to RUS as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 calendar days before loan closing.

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

- Attachment No. 1 - Final Project Planning Factors
(All Copies)
- Attachment No. 2 - Loan and Grant Docket Table of Contents
(All Copies)
- Attachment No. 3 - FmHA Instruction 1942-A, Section 1942.17
(Applicant Copy)
- Attachment No. 4 - FmHA Instruction 1942-A, Section 1942.18
(Engineer Copy)
- Attachment No. 5 - FmHA Instruction 1942-A, Section 1942.19
(Attorney and Bond Counsel Copies)
- Attachment No. 6 - FmHA Supplemental General Conditions
(Engineer Copy)
- Attachment No. 7 - Standards for Audit of Governmental
Organizations, Programs, Activities and Functions
(Accountant's Copy)
- Attachment No. 8 - U.S. Department of Agriculture Farmers
Home Administration Audit Program, December 1989
(Accountant's Copy)
- Attachment No. 9 - Water Users Agreement (Applicant and
Attorney Copies)
- Attachment No. 10 - Declination Statement (Applicant and
Attorney Copies)
- Attachment No. 11 - Sample Credit Agreement (Applicant and
Attorney Copies)
- Attachment No. 12 - Labor Standard Provisions
(Engineer's Copy)
- Attachment No. 13 - Various other FmHA Forms as identified
on Attachment No. 2

Your documents concerning the creation of your authority are administratively acceptable; however, they will be further reviewed by our Office of the General Counsel at the time your file is forwarded for closing instructions. Any changes required by our Office of the General Counsel will be included in the closing instructions.

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.5% interest rate and a monthly amortization factor of .00459, which provides for a monthly payment of \$1,653. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due.

Your authority must establish and fund monthly a debt service reserve account in an amount equal to at least 1/10th of your monthly debt service payment.

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

2. Security - The loan must be secured by a statutory lien on parity with the PSD's existing 1990 and 1996 Water Revenue Bonds, a pledge of the system's revenues and other agreements between you and the lender (RUS) as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in Form FmHA 1942-31 and Form FmHA 1942-47 which are mentioned later.
3. Users - This conditional commitment is based upon your having obtained proper signed users agreements with at least 240 bona fide full time users and, additionally, having obtained either a signed users agreement or a proper "Service Declination Statement" from or for each potential user located within the planned service area. You must also provide evidence you have not signed users agreements from individuals located outside the planned service area.

The enclosed Water Users Agreement will be used. Each user signing an agreement must make a users contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a service declination statement. Guide 3, FmHA Instruction 1942-A, "Service Declination Statement," a copy of which is enclosed, must be used. If a potential user refuses to sign either a users agreement or a declination statement, the individual making the contact for the PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service.

Information and material evidencing the above requirements having been met must be provided for RUS review and verification. Such evidence will as a minimum, consist of (1) signed users agreements, (2) signed or completed Service Declination Statements, (3) records of user contributions being paid, (4) a map locating each potential user's property and identifying it by a number, (5) a list of all signed bona fide users numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above, (6) a list of all declination statements numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above.

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Section 1942.19 of FmHA Instruction 1942-A. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.
5. Professional Services - You must obtain the services of an attorney. For your convenience, Guide 14, "Legal Services Agreement" is attached for your use. Attachment No. 1 includes the cost of these services for planning purposes.
6. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:
 - a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
 - b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form FmHA 1927-9, "Preliminary Title Opinion," may be used. Also, in the case of existing systems or where the PSD has already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.
 - c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.

- d. A copy of the right-of-way easements for any rights-of-way needed on private lands. Form FmHA 442-20, "Right-of-Way Easement," may be used. Each easement need not be provided this office; however, each must be available for review. A copy of the easement being used must be provided.
 - e. A certification and legal opinion relative to title to rights-of-way and easements. Form FmHA 442-21, "Right-of-Way Certificate," and Form FmHA 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. These forms may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, new Forms, FmHA 442-21 and 442-22, must be provided which do not provide for any exceptions.
 - f. On the day of loan closing, the PSD's attorney must furnish final title opinions on all land(s) being acquired. Form FmHA 1927-10, "Final Title Opinion" may be used. In the case of existing systems or where the PSD has already acquired real property(s) (land or facilities), the PSD's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.
7. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
- West Virginia Department of Highways
 - State Department of Health
 - Department of Environmental Protection (formerly DNR)
 - Public Land Corporation
8. Public Service Commission Approvals - You must obtain the following from the Public Service Commission of West Virginia:
- a. A Certificate of Convenience and Necessity.
 - b. Approval of user charges that are acceptable to you and the Rural Utilities Service.
 - c. Approval of financing for the project's proposed financing arrangements.

The "Rule 42" Exhibit to be attached to the Public Service Commission application must contain at least the information shown in Attachment No. 1. A copy of the Public Service Commission application and its "Rule 42" Exhibit must be provided for review.

9. Accounting - You must obtain the services of a qualified accountant. That accountant must agree (by letter) to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42).
 - b. Prior to advertisement for bids, your accountant must state in writing that he will establish your accounts and records in accordance with the requirements of the resolution, and the requirements of the Public Service Commission within 20 days from the notice to do such.
 - c. Prior to the start of construction, the accountant must certify that the accounts and records as required in (b) above have been established and are operational.

A representative of my office will review your accounts and records prior to authorizing the issuance of award(s) to the contractor(s). FmHA regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements for your PSD. The attached booklet, "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," (Attachment No. 7) and "U. S. Department of Agriculture Farmers Home Administration Audit Program," (December 1989) (Attachment No. 8) outlines audit requirements. You are reminded that certain provisions of Office and Management and Budget Circular A-128 are applicable to any public body that received \$100,000 or more in federal funds in any one year. You must enter into an agreement annually with an accountant (or the State Tax Commission) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia.

Audit Reports must be prepared to comply with the requirements of OMB Circular A-128 or A-133, as applicable.

10. Insurance and Bonding Requirements:

- a. Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:
 - (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000-\$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.

- (2) Workers' Compensation - In accordance with appropriate State laws.
 - (3) Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s). Form FmHA 440-24, "Position Fidelity Bond," may be used.
 - (4) National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
 - (a) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (b) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.
 - (5) Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.
11. You are, have been or may be approved to become, a recipient of Federal financial assistance from the United States Department of Agriculture. In the case of Paralyzed Veterans of America, et al, Plaintiff, V. William French Smith, et al, Defendants, United States District Court, Central District of California, No. 79-1979 WPG, the Honorable William P. Gray ordered the United States Department of Agriculture to notify you that as a recipient of such assistance you are required to comply with the provisions of

Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. Sec. 794), even though the United States Department of Agriculture has not yet issued final regulations implementing Section 504 of the Rehabilitation Act.

Section 504 of the Rehabilitation Act is designed to assure that those who receive Federal financial assistance will not discriminate against handicapped persons. It provides in relevant part as follows:

"No otherwise qualified handicapped individual in the United States. . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

Effective June 3, 1977, the Department of Health and Human Services issued final regulations implementing Section 504 as it applies to recipients of Federal financial assistance from that agency (45 C.F.R. Part 84). You may look to the HHS regulation for guidance as to your obligation under Section 504 of the Rehabilitation Act.

12. Contract Documents, Final Plans and Specifications:

a. The contract documents should consist of the following:

- (1) FmHA Instruction 1942-A, Guide 19, "Agreement," and Attachments 1-9 (Attachment No. 4) or other agreement approved by RUS.
- (2) FmHA Supplemental General Conditions (Guide 18, 4-6-92 Revised WV). One copy of this item is attached hereto (Attachment No. 6). Additional copies must be reproduced by the engineer.
- (3) Labor Standards Provisions - Title 29, Subtitle A, Part 5, Section 5.5, Contract Provisions and Related Matters. One copy of this item is attached hereto (Attachment No. 12). Additional copies must be reproduced by the engineer.

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

- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000-\$200,000. (This coverage must include indemnification of the PSD and its engineer.) FmHA Guide 18 suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum

requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.

- (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.
- (3) Workers' Compensation - In accordance with applicable State laws.

- c. The contract documents and final plans and specifications must be submitted to RUS for approval.
 - d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.
- 13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. The enclosed Sample Credit Agreement (Attachment No. 11) is an acceptable agreement and may be used.
 - 14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover RUS's proportionate share of any disbursements required of your PSD, over 30 day periods. Any funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to the Rural Utilities Service. The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.
 - 15. Other Grants - Prior to advertisement for construction bids, you must provide evidence showing the approval of the other grants. This evidence should include a copy of the grant award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the "other" grant funds are available for expenditure. This evidence should consist of at least a letter from the grantor stating the funds are available for expenditure.
 - 16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

Form FmHA 442-7 - "Operating Budget"
Form FmHA 1940-1 - "Request for Obligation of Funds"

Form FmHA 1942-31 - "Association Water or Sewer System Grant Agreement"
Form FmHA 1942-47 - "Loan Resolution -- (Public Bodies)"
Form FmHA 400-1 - "Equal Opportunity Agreement"
Form FmHA 400-4 - "Assurance Agreement"
Form AD 1047 - "Certification Regarding Debarment - Primary"
Form AD 1049 - "Certification Regarding Drug-Free Workplace"
Form FmHA 1910-11 - "Applicant Certification, Federal Collection Policies"
FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"

17. The enclosed Loan Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.
18. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Attached is a copy of Form FmHA 1942-31, "Association Water and Sewer System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds.

In accordance with the intent of Congress as expressed in the FY 1997 Appropriations Act, recipients of Water and Waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Please complete and return the enclosed Form FmHA 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

Sincerely yours,



BOBBY LEWIS
State Director

Enclosures

cc: Administrator, RUS
ATTN: Water and Waste
Disposal Division
Washington, DC

Rural Development Specialist
Parkersburg, WV

Accountant

Thomas N. Whittier
Spencer, WV

Bond Counsel ✓

James B. Hildreth
Boyles and Hildreth
Spencer, WV

Project Planning Factors

The Project Planning Factors are found on Page 2 of this attachment.

Rates

Minimum Charge

Available for general
domestic, commercial
and industrial service.

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

First 3,000 gals. @ \$7.30 per M gals.
Next 3,000 gals. @ \$7.10 per M gals.
Next 4,000 gals. @ \$6.90 per M gals.
Over 10,000 gals. @ \$6.70 per M gals.

5/8" x 3/4" meter - \$ 21.90 per month
3/4" meter - \$ 32.85 per month
1" meter - \$ 54.75 per month
1 1/2" meter - \$ 109.50 per month
2" meter - \$ 175.20 per month
3" meter - \$ 328.50 per month
4" meter - \$ 547.50 per month
6" meter - \$1,095.00 per month
8" meter - \$1,752.00 per month

(Minimum Monthly Bill \$21.90 for 3,000 gallons)

Project Planning Factors

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of RUS:

<u>Project Costs</u>	<u>SCB</u> <u>Grant</u>	<u>ARC</u> <u>Grant</u>	<u>WVIJDC</u> <u>Grant</u>	<u>RUS</u> <u>Grant</u>	<u>RUS</u> <u>Loan</u>	<u>Total</u>
Administration	\$ 40,000					\$ 40,000
Construction	1,210,000	\$500,000	\$346,000	\$502,000	\$170,000	2,728,000
Construction Contg.			44,900	57,300	49,400	151,600
Land & Rights			3,400	4,300	2,300	10,000
Legal Fees			5,100	6,500	3,400	15,000
Engineering Fees			115,600	147,600	76,800	340,000
Basic \$185,000						
Insp. 125,000						
Spec. 30,000						
Bond Counsel			2,900	4,300	2,800	10,000
Interest					32,000	32,000
Project Contg.			22,100	28,000	23,300	73,400
TOTALS	\$1,250,000	\$500,000	\$540,000	\$750,000	\$360,000	\$3,400,000

Delayed Payment Penalty

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

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis

160 users @	3,000 gallons @	\$ 21.90 per user	=	\$3,504.00 monthly
31 users @	4,000 gallons @	\$ 29.00 per user	=	\$ 899.00 monthly
23 users @	5,000 gallons @	\$ 36.10 per user	=	\$ 830.30 monthly
13 users @	6,000 gallons @	\$ 43.20 per user	=	\$ 561.60 monthly
5 users @	7,000 gallons @	\$ 50.10 per user	=	\$ 250.50 monthly
4 users @	8,000 gallons @	\$ 57.00 per user	=	\$ 228.00 monthly
2 users @	9,000 gallons @	\$ 63.90 per user	=	\$ 127.80 monthly
1 user @	10,000 gallons @	\$ 70.80 per user	=	\$ 70.80 monthly
1 user @	50,000 gallons @	\$338.80 per user	=	\$ 338.80 monthly

Total \$6,810.80 monthly x 12 = \$81,729.60 annually

Budget

Income \$81,729.60

Expenses

O & M \$58,000
Debt Service 19,836
Reserve 1,984

\$79,820.00

Balance and Depreciation \$ 1,909.60

Operating and Maintenance Expenses

Purchased Water \$25,900
Salaries and Benefits 8,000
Power and Pumping 5,800
Maintenance and Repair 4,000
Insurance, Fees, Taxes 2,300
Office Supplies 2,500
Accounting and Collection 7,000
Transportation 1,500
Miscellaneous 1,000

TOTAL \$58,000

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
Table of Contents
Loan and Grant
Water and Sewer Systems

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
SF 424	Application for Federal Assistance	0 & 2	1942.2 (a) (1)	App.		Have	3
	Regional Planning & Development Council Review	2	1942.2 (a) (1)	App.		Have	3
	State Clearing-house Review or IJDC Review	2	1942.2 (a) (1)	App.		Have	3
Guide 7/8	Preliminary Engr. Report	2	1942.18 (c)	Engr.		Have	6
	Bond Ordn. or Resol. on Outstanding Debts	1	1942.17 (h)	App./Att.		Have	2
	Bonds or Notes Outstanding Debts	1	1942.17 (h)	App./Att.		Have	2
	Audit for last year of operation	1	1942.17 (h)	App./Att.		Have	1
AD 1049	Certification Regarding Drug-Free Workplace	1	1940-M 1940.606 (b) (2)	App.		Have	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	App.			5
	Organizational Documents	1	1942.17 (b) (4)	App./Att.			5
1940-20	Request for Env. Info.	2	1942.17 (j) (7)	App./Eng.		Have	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	2	1942.17 (j) (7)	RUS		Have	3
	Statement from State Historical Preservation Office	2	1940.304 (d)	App.		Have	3
	Comments from Dept. of Commerce, Labor & Environ. Resources (DEP)	2	1940.304 (d)	App.			3
	Comments from U.S. Fish & Wildlife Service (Endangered Species)	2	1940.304 (d)	App.			3
	Comments from U.S. Forest Service (Wild & Scenic Rivers)	2	1940.304 (d)	App.			3
	Comments from Advisory Council on Historic Preservation	2	1940.304 (d)	App.			3
	Brief Stmt. telling how facility will be operated	1	1942.17 (b) (3)	App.		Have	5
	Bill analysis for existing system(s)	2	1942.17 (h) (2)	App./ Engr./ Acct.		Have	8
	Projected Bill analysis for new users	2	1942.17 (h) (2)	App./ Engr./ Acct.		Have	8
	Identification of "Other" Funding	2	1942.17 (n) (5)	App./Att.		Have	2

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Statement reporting the <u>total number of potential users</u>		1942.17 (h) (2) (i) (A)	App./ Engr./ Acct.		Have	8
1942-19	Agreement for Engineering Services	3	1942.17 (1) (1)	App./Engr.			6
	Legal Services Agreement		Guide 14 1942.17 (1) (1)	App./Engr.			5
	Documentation on Service Area	1	1942.5 (a)	RUS		Have	3
	Written Certification from Applicant that "Other" credit is <u>NOT</u> available	2	1942.17 (b) (3)	App.		Have	3
	RUS determin. on the availability of other credit	2	1942.17 (b) (3)	RUS			3
	Documentation from lender(s) regarding the availability of other credit	2	1942.17 (b) (3)	RUS		Have	3
	Documentation on Historical and Archaeological Assessments	2	1901-F 1901.255 (2)	RUS		Have	3
	Copy of Certification of Publication and related Environmental Information	2	1940-G 1940.331 (c)	App.		Have	3
	Project Planning Factors	4	S/Office	RUS		Have	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
1942-51	Grant Determination	3	1942-H 1942.364	RUS		Have	2
	Finding of No Significant Impact (FONSI)	2	1940-G 1940.314	RUS		Have	3
	Evidence of Public Meeting Minutes	2	1942.17 (j) (9)	App.		Have	3
AD 622	Notice of Preapplication Review	0 & 3	1942.17 (m) (4)	RUS		Have	3
SF 424	Application for Federal Assistance	0 & 1	1942.17 (m) (5)	App.		Have	3
FmHA Inst. 1940-Q Exh. A-1	Certification for Contracts, Grants and Loans	0 & 1	1940-Q	App.		Have	5
1942-45	Project Summary	0 & 2	1942.5 (a) (1)	RUS		Have	1
442-3	Balance Sheet	0 & 1	1942.17 (h)	App.			1
442-7	Operating Budget	0 & 2	1942.17 (h)	App.			3
1942-14	Project Fund Analysis	0 & 4	1942.5 (c)	RUS		Have	2
Guide 26	CP Program Project Selection Criteria	2	1942-A	RUS		Have	2
	Letter of Conditions	7	1942.5 (c)	RUS		Have	3
1942-46	Letter of Intent to Meet Conditions	2	1942.5 (c)	App.			3
1940-1	Request for Obligation of Funds	4	1942.5 (c) (3)	RUS/App.			2

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Written Request from Applicant for the Lower Interest Rate	2	1942.17 (f) (1)	RUS/App.			2
1942-31	Association Water or Sewer System Grant Agreement	2	1942-H 1942.367 (f)	RUS/App.			2
	Evidence of "Other" Funds	1	1942.17 (n) (6)	App.			2
	Water Users Agreement (Copy)	1	1942.17 (h) (2) (B)	App.			5
AD 1047	Certification Regarding Debarment (Primary)	1	1940-M 1940.606 (b) (1)	App.		Have	5
AD 1048	Certification Regarding Debarment (Contractor)	1 ea	1940-M 1940.606 (b) (1)	All Appropriate Vendors			5
1910-11	Applicant Certification, Federal Collection Policies	1	1942.5 (a) (1) (i)	App.		Have	3
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	App.			Sep. File
	2. List of Signed Users Numbered to Map	1	LOC	App.			5
	3. List of Declination Statement Numbered to Map	1	LOC	App.			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	4. Evidence of Tap Fees Being Paid	1	LOC	App.			5
	5. Having Users Agreements and Declination Statements Available		LOC	App.			-
	Positive Program to Encourage Connections When Completed	1	1942.17 (h) (2) (iii)	App.			5
	Verification of Users	1	1942.6 (b)	RUS			3
	Preliminary Bond Transcr. Documents w/no Defeasance Provisions	2	1942.17 (j) (6) (ii)	B. Counsel			2
	Right-of-Way Map	1	Form FmHA 1942-19	Engr.			Sep. File
	Deeds and/or Options		1942.17 (j) (4) (i)	App./Att.			
1927-9	Preliminary Title Opinion	1	1942.17 (j) (4) (i)	App./Att.			5
	Narrative Opinion from Attorney	1	LOC	Att.			5
442-20	Right-of-Way Easement	1	1942.17 (j) (4) (i)	App.			5
442-21	Right-of-Way Certificate	1	1942.17 (j) (4) (i)	App.			5
442-22	Opinion of Counsel Relative to R/Way		1942.17 (j) (4) (i)	Att.			5
1942-47	Loan Resolution	1	1942.17 (n) (2)	App.			5
	Copy of PSC Application	1	State	Att./Acct.			6

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Copy of PSC Rule 42 Exh.	1	State	Att./Acct.			3
	Agreement with Accountant	1	1942.17 (1) (1)	App./Acct.			6
	Interim Financing Agreement	1	1942.17 (n) (3)	App./Att.			1
442-30	Water Purchase Contract	1	1942.18 (f)	App./Att.			5
400-1	Equal Opportunity Agreement	1	1942.17 (n) (2) (x)	App.			6
400-4	Assurance Agreement	1	1942.17 (n) (2) (x)	App.			3
	Bond Transcript Documents w/no Defeasance Provisions	3	1942.17 (j) (6) (ii)	B. Counsel			Sep. File
	OGC Closing Instructions	1	1942.17 (n) (4)	RUS			5
	S/O Closing Instructions	1	1942.17 (n) (4)	RUS			5
	DOH Permit	1	1942.17 (k)	App.			6
	DEP Permit	1	1942.17 (k)	App.			6
	Railroad Permits	1	1942.17 (k)	App.			6
	Public Land Corp. Permit	1	1942.17 (k)	App.			6
	Corps of Engrs. Permit	1	1942.17 (k)	App.			6
	Contract Documents, Plans and Specs.	2	1942.18	Engr.			Sep. File

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Dept. of Health Approval	1	1942.17 (k)	Engr.			6
	Accountant's Certification on Accounting System	1	1942.17 (q) (1)	Acct.			3
	RUS Approval of Accounting System		1942.17 (q) (1) (ii)	App./RUS			3
400-8	Comp. Review	1	1901-H 1901.204	RUS			5
1924-16	Record of Preconstruction Conference	1	1942.18 (o) (1)	RUS/Engr.			6
	Bid Tabulation	1	1942.18 (k)	Engr.			6
	Recommendation of Award	1	1942.18 (j) (8)	Engr.			6
	Contract Documents with required Ins. and Bonds	2		App./Engr.			Sep. File
	Resume' of Inspector	1	1942.18 (o) (3)	Engr.			6
	Liability Insurance		1942.17 (j) (3) (iii)	App.			7
	Workers' Compensation Certificate	1	1942.17 (j) (3) (iii)	App.			7
	Flood Insurance Policy	1	1942.17 (j) (3) (iii)	App.			7
440-24	Fidelity Bond	1	1942.17 (j) (3) (ii)	App.			7
	OGC Final Opinion	1	1942.17 (o) (4)	RUS			5

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§1942.19 Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants.

(a) General. This section includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, herein referred to as bonds). This section is made available to applicants as appropriate for application processing and loan docket preparation.

(b) Policies related to use of bond counsel. Preparation of the bonds and the bond transcript documents will be the responsibility of the applicant. Public body applicants will obtain the services and opinion of recognized bond counsel with respect to the validity of a bond issue, except as provided in (b)(1) through (3) below. The applicant normally will be represented by a local attorney who will obtain the assistance of a recognized bond counsel firm which has experience in municipal financing with such investors as investment dealers, banks, and insurance companies.

(1) Issues of \$250,000 or less. At the option of the applicant for issues of \$250,000 or less, bond counsel may be used for the issuance of a final opinion only and not for the preparation of the bond transcript and other documents when the applicant, FmHA, and bond counsel have agreed in advance as to the method of preparation of the bond transcript documents. Under such circumstances the applicant will be responsible for the preparation of the bond transcript documents.

(2) Issues of \$50,000 or less. At the option of the applicant and with the prior approval of the FmHA State Director, the applicant need not use bond counsel if:

(i) The amount of the issue does not exceed \$50,000 and the applicant recognizes and accepts the fact that processing the application may require additional legal and administrative time.

(ii) There is a significant cost saving to the applicant particularly with reference to total legal fees after determining what bond counsel would charge as compared with what the local attorney will charge without bond counsel.

(iii) The local attorney is able and experienced in handling this type of legal work.

(iv) The applicant understands that, if it is required by FmHA to refinance its loan pursuant to the statutory refinancing requirements, it will probably have to obtain at its expense a bond counsel's opinion at that time.

(v) All bonds will be prepared in accordance with this regulation and will conform as nearly as possible to the preferred methods of preparation stated in paragraph (e) of this section but still be consistent with State law.

(vi) Many matters necessary to comply with FmHA requirements such as land rights, easements, and organizational documents will be handled by the applicant's local attorney. Specific closing instructions will be issued by the Office of the General Counsel of the U. S. Department of Agriculture for the guidance of FmHA.

(3) For loans of less than \$500,000. The applicant shall not be required to use bond counsel in a straight mortgage-note situation where competitive bidding is not required for the sale of the debt instrument, unless a complicated financial situation exists with the applicant. In addition, if there is a known backlog in a particular OGC regional office the applicant will be advised of such backlog and it will be suggested to the applicant that the appointment of bond counsel may be more expeditious. However, it will be the decision of the applicant whether or not to appoint bond counsel. The applicant must comply with (b)(2)(iii) through (vi) of this section.

(c) Bond transcript documents. Any questions with respect to FmHA requirements should be discussed with the FmHA representatives. The bond counsel (or local counsel where no bond counsel is involved) is required to furnish at least two complete sets of the following to the applicant, who will furnish one complete set to FmHA:

- (1) Copies of all organizational documents.
- (2) Copies of general incumbency certificate.
- (3) Certified copies of minutes or excerpts therefrom of all meetings of the applicant's governing body at which action was taken in connection with the authorization and issuance of the bonds.
- (4) Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding of a favorable bond election, if such an election is necessary in connection with bond issuance.
- (5) Certified copies of the resolutions or ordinances or other documents, such as the bond authorizing resolutions or ordinance and any resolution establishing rates and regulating the use of the improvement, if such documents are not included in the minutes furnished.

(6) Copies of official Notice of Sale and affidavit of publication of Notice of Sale where a public sale is required by State statute.

(7) Specimen bond, with any attached coupons.

(8) Attorney's no-litigation certificate.

(9) Certified copies of resolutions or other documents pertaining to the bond award.

(10) Any additional or supporting documents required by bond counsel.

(11) For loans involving multiple advances of FmHA loan funds a preliminary approving opinion of bond counsel (or local counsel if no bond counsel is involved) if a final unqualified opinion cannot be obtained until all funds are advanced. The preliminary opinion for the entire issue shall be delivered on or before the first advance of loan funds and state that the applicant has the legal authority to issue the bonds, construct, operate and maintain the facility, and repay the loan subject only to changes during the advance of funds such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates.

(12) Preliminary approving opinion, if any, and final unqualified approving opinion of recognized bond counsel (or local counsel if no bond counsel is involved) including opinion regarding interest on bonds being exempt from Federal and any State income taxes. On approval of the Administrator, a final opinion may be qualified to the extent that litigation is pending relating to Indian claims that may affect title to land or validity of the obligation. It is permissible for such opinions to contain language referring to the last sentence of Section 306 (a)(1) or to Section 309A (h) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1926 (a)(1) or 1929a (h)], and providing that if the bonds evidencing the indebtedness in question are acquired by the Federal Government and sold on an insured basis from the Agriculture Credit Insurance Fund, or the Rural Development Insurance Fund, the interest on such bonds will be included in gross income for the purpose of the Federal income tax statutes.

(d) Interim financing from commercial sources during construction period for loans of \$50,000 or more. In all cases where it is possible for funds to be borrowed at current market interest rates on an interim basis from commercial sources, such interim financing will be obtained so as to preclude the necessity for multiple advances of FmHA funds.

(e) Permanent instruments for FmHA loans to repay interim commercial financing. FmHA loans will be evidenced by the following types of instruments chosen in accordance with the following order of preference:

(1) First preference - Form FmHA 440-22, "Promissory Note (Association or Organization)". If legally permissible use Form FmHA 440-22 for insured loans.

(2) Second preference - single instruments with amortized installments. If Form FmHA 440-22 is not legally permissible, use a single instrument providing for amortized installments. Show the full amount of the loan on the face of the document and provide for entering the date and amount of each FmHA advance on the reverse thereof or on an attachment to the instrument. Form FmHA 440-22 should be followed to the extent possible. When principal payment is deferred, no attempt should be made to compute in dollar terms the amount of interest due on these installment dates. Rather the instrument should provide that "interest only" is due on these dates. The appropriate amortized installment computed as follows will be shown due on the installment dates thereafter.

(i) Annual payments - Subtract the due date of the last annual interest only installment from the due date of the final installment to determine the number of annual payments applicable. When there are no interest only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar. Example of Computation of Annual Payment:

Date of Loan Closing:	7-5-1976
Amount of Loan:	\$100,000.00
Interest Rate:	5%
Amortization Period:	40 years
Interest Only Installments:	7-5-1977 and 7-5-1978
First Regular Installment:	7-5-1979
Final Installment:	7-5-2016

Computation:	2016-1978=
	38 annual payments
$\$100,000.00 \times .05929 =$	\$5,929.00 annual
	payment due

(ii) Semiannual payments - Multiply by two the number of years between the due date of the last annual interest only installment and the due date of the final installment to determine the correct number of semiannual periods applicable. When there are no interest only installments, multiply by two the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar.

Example of Computation of Semiannual Payment:

Date of Loan Closing:	7-5-1976
Amount of Loan:	\$100,000.00
Interest Rate:	5%
Amortization Period:	40 years
Interest Only Installments:	7-5-1977 and 7-5-1978
First Regular Installment:	7-5-1979
Final Installment:	7-5-2016
Computation:	2016 - 1978 = 38 x 2 = 76 semiannual periods
	$\$100,000.00 \times .02952 =$ \$2,952.00 semiannual payment due

(iii) Monthly payments - Multiply by twelve the number of years between the due date of the last annual interest only installment and the final installment to determine the number of monthly payments applicable. When there are no interest only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar.

Example of Computation of Monthly Payment:

Date of Loan Closing:	7-5-1976
Amount of the Loan:	\$100,000.00
Interest Rate:	5%
Amortization Period:	40 years
Interest Only Installments:	7-5-1977 and 7-5-1978

First Regular Installment:	7-5-1979
Final Installment:	7-5-2016
Computation:	2016 - 1978 =
	38 x 12 = 456 monthly payments
\$100,000.00 x .00491 =	\$491.00 monthly payment due

(3) Third preference - single instrument with installments of principal plus interest. If a single instrument with amortized installments is not legally permissible, use a single instrument providing for installments of principal plus interest accrued on the unmatured principal balance. The principal should be in an amount best adapted to making principal retirement and interest payments which closely approximate equal installments of combined interest and principal as required by the first two preferences.

(i) The repayment terms concerning interest only installments described in paragraph (e)(2) of this section, "Second preference" applies.

(ii) The instrument shall contain in substance the following provisions:

(A) A statement of principal maturities and due dates.

(B) Payments made on indebtedness evidenced by this instrument shall be applied to the interest due through the next installment due date and the balance to principal in accordance with the terms of the bond. Payments on delinquent accounts will be applied in the following sequence:

- (1) billed delinquent interest,
- (2) past due interest installments,
- (3) past due principal installments,
- (4) interest installment due, and
- (5) principal installment due.

Extra payments and payments made from security depleting sources shall be applied to the principal last to come due or as specified in the bond instrument.

(4) Fourth preference - serial bonds with installments of principal plus interest. If instruments described under the first, second, and third preferences are not legally permissible, use serial bonds with a bond or bonds delivered in the amount of each advance. Bonds will be delivered in the order of their numbers. Such bonds will conform with the minimum requirements of paragraph (h) of this section. Rules for application of payments on serial bonds will be the same as those for principal installment single bonds as set out in the preceding paragraph (e)(3) of this section.

(f) Multiple advances of FmHA funds using permanent instruments. Where interim financing from commercial sources is not available, FmHA loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

(g) Multiple advances of FmHA funds using temporary debt instrument. When none of the instruments described in paragraph (e) of this section are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advance of FmHA loan funds and will be for the full amount of the FmHA loan. The instrument will be prepared by bond counsel (or local counsel if bond counsel is not involved and approved by the State Director and OGC. At the same time FmHA delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

- (1) The date from which each advance will bear interest.
- (2) The interest rate.
- (3) A payment schedule providing for interest on outstanding principal at least annually.
- (4) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instrument(s).

(h) Minimum bond specifications. The provisions of this paragraph are minimum specifications only, and must be followed to the extent legally permissible.

- (1) Type and denominations. Bond resolutions or ordinances will provide that the instrument(s) be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than \$1000). Single bonds may provide for repayment of

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§1942.19 (h) (1) (Con.)

principal plus interest or amortized installments; amortized installments are preferable from the standpoint of FmHA. Coupon bonds will not be used unless required by State statute.

(i) To compute the value of each coupon when the bond denomination is consistent:

(A) Multiply the amount of the loan or advance by the interest rate and divide the product by 365 days.

(B) Multiply the daily accrual factor determined in (A) by the number of days from the date of advance or last installment date to the next installment date.

(C) Divide the interest computed in (B) by the number of bonds securing the advance; this is the individual coupon amount.

(ii) To compute the value of each coupon when the bond denomination varies:

(A) Multiply the denomination of the bond by the interest rate and divide the product by 365 days.

(B) Multiply the daily accrual factor determined in (A) by the number of days from the date of advance or last installment date to the next installment due date; this is the individual coupon amount.

(2) Bond registration. Bonds will contain provisions permitting registration as to both principal and interest. Bonds purchased by FmHA will be registered in the name of "United States of America, Farmers Home Administration," and will remain so registered at all time while the bonds are held or insured by the United States. The address of FmHA for registration purposes will be that of the appropriate FmHA State Office. (Revised 3-1-88, SPECIAL PN.)

(3) Size and quality. Size of bonds and coupons should conform to standard practice. Paper must be of sufficient quality to prevent deterioration through ordinary handling over the life of the loan.

(4) Date of bond. Bonds will preferably be dated as of the day of delivery, however, may be dated another date at the option of the borrower and subject to approval by FmHA. If the date of delivery is other than the date of the bond, the date of delivery will be stated in the bond. In all cases, interest will accrue from the date of delivery of the funds.

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(5) Payment date. Loan payments will be scheduled to coincide with income availability and be in accordance with State law. If consistent with the foregoing, monthly payments will be required and will be enumerated in the bond, other evidence of indebtedness, or other supplemental agreement. However, if State law only permits principal plus interest (P&I) type bonds, annual or semiannual payments will be used. Insofar as practical monthly payments will be scheduled one full month following the date of loan closing; or semiannual or annual payments will be scheduled six or twelve full months respectively, following the date of loan closing or any deferment period. Due dates falling on the 29th, 30th or 31st day of the month will be avoided. (Revised 06-26-91, PN 168.)

(6) Place of payment. Payments on bonds purchased by FmHA should be submitted to the FmHA District Office by the borrower. The District Office will then remit the payments to the Finance Office or deposit them in a Treasury General Account in accordance with Subpart B of Part 1951 of this chapter.

(7) Redemptions. Bonds should contain customary redemption provisions; subject, however, to unlimited right of redemption without premium of any bonds held by FmHA except to the extent limited by the provisions under the "Third Preference" and "Fourth Preference" in paragraph (e) of this section.

(8) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless the net revenues (that is, unless otherwise defined by the State statute, gross revenues less essential operation and maintenance expense) for the fiscal year preceding the year in which such parity bonds are to be issued, were 120 percent of the average annual debt service requirements on all bonds then outstanding and those to be issued; provided, that this limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan agreement.

(9) Scheduling of FmHA payments when joint financing is involved. In all cases in which FmHA is participating with another lender in the joint financing of the project to supply funds required by one applicant, the FmHA payments of principal and interest should approximate amortized installments.

(10) Precautions. The following types of provisions in debt instruments should be avoided.

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(i) Provisions for the holder to manually post each payment to the instrument.

(ii) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than FmHA, may post the date and amount of each advance or repayment on the instrument.

(iii) Defeasance provisions in loan or bond resolutions. When a bond issue is defeated, a new issue is sold which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes FmHA from requiring graduation before the final maturity date, it represents a violation of the statutory refinancing requirement, therefore it is disallowed. (Revised 05-03-89, SPECIAL PN.)

(iv) Provisions that amend covenants contained in Forms FmHA 1942-47, "Loan Resolution (Public Bodies)," or FmHA 1942-9, "Loan Resolution Security Agreement."
(Revised 06-26-91, PN 163.)

(11) Multiple Loan Instruments. The following will be adhered to when preparing debt instruments:

(i) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments.

(ii) Loan funds obligated in different fiscal years and those obligated with different interest rates or terms in the same fiscal year will be evidenced by separate debt instruments.

(iii) Loan funds obligated for the same loan type in the same fiscal year at the same interest rate and term may be combined in the same debt instrument; provided the borrower has been notified on Form FmHA 1940-1, "Request for Obligation of Funds," of the action.

(i) Bidding by FmHA. Bonds offered for public sale shall be offered in accordance with State law, in such a manner to encourage public bidding. FmHA will not submit a bid at the advertised sale unless required by State law, nor will reference to FmHA's rates and terms be included. If no acceptable bid is received, FmHA will negotiate the purchase of the bonds.



RURAL
UTILITIES
SERVICE

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United States
Department of
Agriculture

Rural Development

August 18, 1997

T.G. Cruikshank, Jr., Chairman
Clay Roane Public Service District
P.O. Box 40
Valley Fork, WV 25283

RE: Amendment No. 1 to
Letter of Conditions

Dear Mr. Cruikshank:

Reference is made to the Letter of Conditions issued to the District on February 7, 1997. Due to a change in funding for the project, it has become necessary for the District to request an additional \$90,000 of Rural Utilities Service (RUS) assistance.

This letter, with attached planning factors and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your request. Any further changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by the Rural Utilities Service (RUS) by written amendment to this letter. Any changes not approved by RUS shall be cause for discontinuing processing of the application.

This letter is not to be considered as loan or grant approval or as representation to the availability of funds. The docket may be completed on the basis of an RUS loan of \$360,000, an initial RUS grant of \$750,000, a subsequent RUS grant of \$90,000 and other funding in the amount of \$2,200,000, for a total project cost of \$3,400,000. The other funding is planned in the form of grants from the West Virginia Infrastructure and Jobs Development Council and the Appalachian Regional Commission.

All requirements and conditions of the February 7, 1997 Letter of Conditions are not changed by the following requirements. They remain applicable and must be satisfied prior to loan and grant closing.

Additional requirements and changes necessitated by the funding revision include:

1. The planning factors have been amended to reflect the funding changes. (See Attachment No. 1).
2. Public Service Commission Approval - You must obtain approval of the project's proposed financing arrangements from the West Virginia Public Service Commission. Written evidence of this approval must be provided to RUS.
3. Bond Counsel - Your bond counsel should be notified immediately of the additional funding and requested to prepare the form of resolution to be used. The bond counsel should proceed in accordance with FmHA Instruction 1942-A, Appendix C.
4. In addition to the forms required in the Letter of Conditions dated February 7, 1997, you must, at a properly called meeting, adopt and execute the following forms, relative to the revised funding and provide minutes showing their adoption.

Form FmHA 1940-1 - "Request for Obligation of Funds"

Form FmHA 1942-31 - "Association Water or Sewer Grant Agreement"

Form FmHA 1942-46 - "Letter of Intent to Meet Conditions"

5. Other Funds - Prior to award of the contract(s) to the contractor(s), you must provide evidence that the "other" funds are available for expenditure.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the request.

Please complete and return the enclosed Form FmHA 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,


BOBBY LEWIS
State Director

Enclosures

cc: (See Page 3)

cc: Administrator, RUS
Attn: Water and Environmental
Programs Division
Washington, DC

Rural Development Specialist
Parkersburg, WV

Accountant

Thomas N. Whittier
Attorney at Law
Spencer, WV

James B. Hildreth
Boyles and Hildreth
Spencer, WV

Bond Counsel ✓

Attachment No. 1 to Amended Letter of Conditions,
Dated: August 18, 1997
For: Clay Roane Public Service District

Project Planning Factors

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of RUS:

<u>Project Costs</u>	<u>ARC Grant</u>	<u>WVIJDC Grant</u>	<u>RUS Loan</u>	<u>RUS Grant</u>	<u>RUS Sub. Grant</u>	<u>Total</u>
Construction	\$500,000	\$1,466,000	\$170,000	\$502,000	\$90,000	\$2,728,000
Construction Contg.		44,900	49,400	57,300		151,600
Land and Rights		3,400	2,300	4,300		10,000
Legal Fees		5,100	3,400	6,500		15,000
Engineering Fees		115,600	76,800	147,600		340,000
Basic \$185,000						
Insp. 125,000						
Spec. 30,000						
Bond Counsel		2,900	2,800	4,300		10,000
Interest			32,000			32,000
Project Contg.		62,100	23,300	28,000		113,400
TOTALS:	<u>\$500,000</u>	<u>\$1,700,000</u>	<u>\$360,000</u>	<u>\$750,000</u>	<u>\$90,000</u>	<u>\$3,400,000</u>

USDA UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • fax 304.284.4893 • TTY/TDD 304.284.4836

August 5, 2004

Melissa Postelwait, Chairman
Clay-Roane Public Service District
P.O. Box 8
Proctor, WV 25164-0008

RE: Amendment No. 2 to
Letter of Conditions

Dear Ms. Postelwait:

This letter, with Attachment No. 1 amends the letter of conditions dated February 7, 1997 and the amended letter of conditions dated August 18, 1997, and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an initial RUS loan in the amount of \$360,000, a an initial RUS grant in the amount of \$750,000, a subsequent RUS grant in the amount of \$90,000, a subsequent RUS grant in the amount of \$370,550, and other funding in the amount of \$3,915,000, for a total project cost of \$5,485,550. The other funding is planned in the form of loans and grants from the State of West Virginia.

Subject to the requirements noted herein, all of the conditions of the February 7, 1997 letter of conditions, as amended August 18, 1997, remain in effect and must be satisfied prior to loan and grant closing.

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

Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

[Http://www.rurdev.usda.gov/wv](http://www.rurdev.usda.gov/wv)



USDA Rural Development is an Equal Opportunity Lender, Provider and Employer
Complaints of discrimination should be sent to: USDA Director, Office of Civil Rights, Washington, D.C. 20250-9410

COMMITTED TO THE FUTURE OF RURAL COMMUNITIES

The conditions referred to above are as follows:

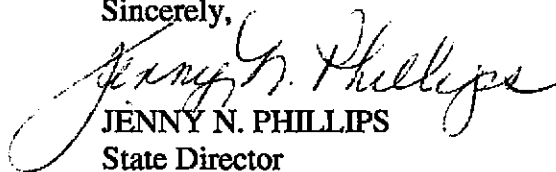
1. The project construction budget has been amended to reflect the subsequent funding (Attachment No. 1).
2. Bond Counsel – Your bond counsel should be provided a copy of this letter immediately. The bond counsel should proceed in accordance with RUS Instruction 1780, Subpart D.
3. Public Service Commission Approval - You must obtain approval of the project's proposed financing and user rates as may result from the West Virginia Public Service Commission. Written evidence of this approval must be provided to RUS.
4. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"
Form RD 442-7 - "Initial Operating Budget"
Form 1940-1 - "Request for Obligation of Funds"
Form RD 1942-46 - "Letter of Intent to Meet Conditions"

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,


JENNY N. PHILLIPS
State Director

Enclosures

cc: RUS Rural Development Specialist
Parkersburg, WV

Teed & Associates, PLLC
Charleston, WV

Thomas N. Whittier, Esquire
Hedges, James, Whittier & Hedges

William K. Bragg, Esquire
Goodwin & Goodwin
Charleston, WV

Boyles & Hildreth, Consulting Engineers
Spencer, WV

Attachment No. 1 to Letter of Conditions
For: Clay Roane Public Service District
Date: August 5, 2004

Revised Project Construction Budget

<u>PROJECT COST</u>	<u>LJDC</u>	<u>LJDC SUB.</u>	<u>LJDC</u>	<u>ARC</u>	<u>RUS SUB.</u>	<u>RUS SUB.</u>	<u>RUS</u>	<u>RUS</u>	<u>TOTAL</u>
<u>LOAN</u>	<u>GRANT</u>	<u>GRANT</u>	<u>GRANT</u>	<u>GRANT</u>	<u>GRANT</u>	<u>GRANT</u>	<u>LOAN</u>		
CONSTRUCTION	\$664,000	\$715,000	\$1,695,953	\$500,000	\$370,550	\$90,000	\$ 83,100	\$ 4,465,143	
CONST. CONTINGENCY			\$2,500			\$ 122,500		\$ 125,000	
LAND & RIGHTS	\$10,000							\$ 10,000	
LEGAL FEES	\$15,000							\$ 15,000	
BOND COUNSEL	\$8,000						\$ 10,000	\$ 18,000	
ACCOUNTING						\$ 4,500		\$ 4,500	
ENGINEERING FEES						\$ 205,230	\$ 246,900	\$ 452,130	
Basic - \$271,130								\$ -	
Insp. - \$151,000								\$ -	
Special - \$30,000								\$ -	
INTEREST							\$ 20,000	\$ 20,000	
ADMINISTRATIVE	\$7,500							\$ 7,500	
REGISTRAR FEES	\$500							\$ 500	
INTERIM FINANCING	\$295,000							\$ 295,000	
PROJECT CONTG.								\$ 72,777	
			\$1,547					\$ 71,230	
TOTAL	\$1,000,000	\$715,000	\$1,700,000	\$500,000	\$370,550	\$90,000	\$ 360,000	\$ 5,485,550	

Rates

Available for general domestic, commercial, and industrial service.

First	2,000	gallons @	\$	10.55	per M gallons
Next	4,000	gallons @	\$	10.20	per M gallons
Next	4,000	gallons @	\$	7.85	per M gallons
Over	10,000	gallons @	\$	6.12	per M gallons

Minimum Charge

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

5/8" x 3/4"	meter	\$	21.10	per month
3/4"	meter	\$	31.65	per month
1"	meter	\$	52.75	per month
1 1/2"	meter	\$	105.50	per month
2"	meter	\$	168.80	per month
3"	meter	\$	316.50	per month
4"	meter	\$	527.50	per month
6"	meter	\$	1,055.00	per month

Minimum Monthly Bill \$ 21.10 for 2,000 gallons

Delayed Payment Penalty

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

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Letter of Conditions
 For: Clay Roane Public Service District
 Date: August 5, 2004

CLAY ROANE PUBLIC SERVICE DISTRICT
 USE AND INCOME ANALYSIS
 AMMA/LEFTHAND EXTENSIONS

Blocking	Cust.	Gal/ Mo.	Minimum Bills	FIRST 2,000	NEXT 4,000	NEXT 4,000	Over 10,000	TOTAL REVENUE
0 - 2,000	80	86.0	80					
2,001 - 6,000	135	594.0		270.0	324.0			
6,001 - 10,000	24	197.2		48.0	96.0	53.2		
Over 10,000	1	12.0		2.0	4.0	4.0	2.0	
Monthly Total	240	889.2	80	320.0	424.0	57.2	2.0	
Proposed Rates		\$	21.10 \$	10.55 \$	10.20 \$	7.85 \$	6.12	
Monthly Revenues		\$	1,688.00 \$	3,376.00 \$	4,324.80 \$	449.02 \$	12.24 \$	9,850.06
Annual Revenues		\$	20,256.00 \$	40,512.00 \$	51,897.60 \$	5,388.24 \$	146.88 \$	118,200.72

Clay Roane Public Service District
OPERATING BUDGET

OPERATING INCOME

Metered Sales	\$ 118,200	
TOTAL OPERATING INCOME		<u>\$ 118,200</u>

NON OPERATING INCOME

Interest Income		
TOTAL NON OPERATING INCOME		<u>\$ -</u>

TOTAL INCOME

\$ 118,200

EXPENSES

O & M	\$ 65,000	
TOTAL EXPENSES		<u>\$ 65,000</u>

INCOME AVAILABLE FOR D/S

\$ 53,200

DEBT SERVICE

Proposed Bond P & I - RUS	\$ 19,836	
Proposed Bond P & I - IJDC	\$ 26,316	
TOTAL DEBT SERVICE		<u>\$ 46,152</u>

DEBT SERVICE RESERVE

Debt Service Reserve - Proposed RUS	\$ 1,984	
Debt Service Reserve - Proposed IJDC	\$ 2,632	
TOTAL DEBT SERVICE RESERVE		<u>\$ 4,616</u>

SURPLUS (DEFICIT)

\$ 2,432

DEBT COVERAGE (A/B)

115%

**CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)**

BOND RESOLUTION

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CLAY-ROANE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BOND, SERIES 2001 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), AND NOT MORE THAN \$360,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CLAY-ROANE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Clay-Roane Public Service District (the "Issuer") is a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State.

B. The Issuer presently owns and operates a public water system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public water facilities of the Issuer, consisting of approximately 153,000 linear feet of 8-inch, 6-inch, and 2-inch waterlines, two water storage tanks and one pressure reducing station to serve approximately 260 potential customers, together with all appurtenant facilities (the "Project"), which constitute public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses, in accordance with the plans and specifications prepared by the Boyles and Hildreth, Consulting Engineers, Inc. which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer has heretofore issued its Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund), dated September 27, 2001, in the original principal amount of \$295,000 (the "Series 2001 A Bond"), to temporarily finance a portion of the costs of the acquisition of the assets and liabilities of Prociuous Public Service District. The Series 2001 A Bond is secured by a first lien on the proceeds of any revenue bonds, refunding bonds or other obligations of the Issuer, issued subsequent to the issuance of the Series 2001 A Bond. The Issuer hereby determines that it is in its best interest to pay the entire outstanding principal of and all interest and administrative fees on the Series 2001 A Bond in full with proceeds of the Series 2004 A Bonds (hereinafter defined) on the date of issuance thereof.

D. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project and the refunding of the Series 2001 A Bond through the issuance of its revenue bonds to the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government") and the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Infrastructure Fund administered by the Authority pursuant to the Act.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than \$1,360,000, in two series (collectively, the "Series 2004 Bonds"), being the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than \$1,000,000 (the "Series 2004 A Bonds"), and the Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), in the aggregate principal amount of not more than \$360,000 (the "Series 2004 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project and to refund the Series 2001 A Bond. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of acquisition and construction of any public service properties and any improvements and extensions thereto, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, on the Series 2004 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the respective Reserve Account for the Series 2004 Bonds (as hereinafter defined); the cost of refunding the Series 2001 A Bond; engineering and legal expenses;

expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2004 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2004 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that (i) the Series 2004 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer, and (ii) the Series 2004 B Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions (as hereinafter defined).

H. There are currently outstanding other obligations of the Issuer which will rank on parity with the Series 2004 Bonds as to liens, pledge and source of and security for payment, including (1) the Water Revenue Bond, Series 1990 of the Issuer, dated November 5, 1990 (the "1990 Bond"), issued in the original principal amount of \$450,000, (2) the Water Revenue Bond (Varneytown Project), Series 1997 of the Issuer, dated April 4, 1997 (the "1997 Bond"), issued in the original principal amount of \$40,000, and (3) the Water Revenue Bond, Series 1982 of the Precious Public Service District, dated September 24, 1982 (the "1982 Bond") issued in the original principal amount of \$192,000 and heretofore assumed by the Issuer in connection with its acquisition of Precious Public Service District. The 1990 Bond, the 1997 Bond and the 1982 Bond shall be collectively known as the "Prior Bonds."

The Series 2004 Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2004 Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Registered Owner of the Prior Bonds to the issuance of the Series 2004 Bonds on a parity with the Prior Bonds. Following the refunding of the Series 2001 A Bond and other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues and assets of the System.

I. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the

System, the principal of and interest, if any, on the Series 2004 Bonds and the Prior Bonds and all funds and accounts and other payments provided for herein.

J. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, the refunding of the Series 2001 A Bond and the issuance of the Series 2004 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia (the "PSC") by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2004 Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2004 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2004 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2004 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

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

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

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

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

"Bonds" means, collectively, the Series 2004 Bonds, the Prior Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

"Closing Date" means the date upon which there is an exchange of the Series 2004 Bonds for all or a portion of the proceeds of the Series 2004 Bonds.

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

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

"Consulting Engineers" means Boyles & Hildreth, Spencer, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.02E hereof to be a part of the costs of acquisition and construction of the Project and the costs of refunding the Series 2001 A Bonds.

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

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

"Depreciation Fund" means the Depreciation Fund created by the Prior Resolutions and continued by Section 5.01 hereof.

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

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

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

"Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser and Registered Owner of the Series 2004 B Bonds.

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

"Grants" means all moneys received by the Issuer on account of any Grant for the Project.

"Gross Revenues" means all rates, rents, fees, charges, or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

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

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

"Investment Property" means:

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a

specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means Clay-Roane Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Government dated February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions dated August 18, 1997, and all amendments thereto.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2004 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2004 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2004 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bonds and into the Reserve Accounts and the Depreciation Fund have been made to the last monthly payment date prior to the date of such retention.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2004 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, (1) the Water Revenue Bond, Series 1990, dated November 5, 1990, issued in the original principal amount of \$450,000, (2) the Water Revenue Bond (Varneytown Project), Series 1997, dated April 4, 1997, issued in the original principal amount of \$40,000, and (3) the Procious Public Service District, Water Revenue Bond, Series 1982, dated September 24, 1982, issued in the original principal amount of \$192,000, heretofore assumed by the Issuer in connection with its acquisition of Procious Public Service District.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted November 5, 1990, April 4, 1997, and September 24, 1982, authorizing the Prior Bonds.

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

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

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

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

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

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

evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

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

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

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

"Registered Owner" or any similar term whenever used herein with respect to

an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

“Registrar” means the Bond Registrar.

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

“Reserve Accounts” means, collectively, the respective reserve accounts of the Series 2004 Bonds and the Prior Bonds.

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

“Revenue Fund” means the Revenue Fund created by the Prior Resolutions and continued by Section 5.01 hereof.

“Secretary” means the Secretary of the Governing Body of the Issuer.

“Series 2004 Bonds” means, collectively, the Series 2004 A Bonds and the Series 2004 B Bonds.

“Series 2004 Bonds Construction Trust Fund” means the Series 2004 Bonds Construction Trust Fund created by Section 5.01 hereof.

“Series 2004 A Bonds” means the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

“Series 2004 A Bonds Reserve Account” means the Series 2004 A Bonds Reserve Account created by Section 5.02 hereof.

“Series 2004 A Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2004 A Bonds in the then current or any succeeding year.

“Series 2004 A Bonds Sinking Fund” means the Series 2004 A Bonds Sinking Fund created by Section 5.02 hereof.

“Series 2004 B Bonds” means the Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), of the Issuer, authorized by this Resolution.

“Series 2004 B Bonds Reserve Account” means the Series 2004 B Bonds Reserve Account created by Section 5.02 hereof.

“Series 2004 B Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2004 B Bonds in the then current or any succeeding year.

“Series 2004 B Bonds Sinking Fund” means the Series 2004 B Bonds Sinking Fund created by Section 5.03A(2) hereof.

“Sinking Funds” means, collectively, the respective sinking funds of the Series 2004 Bonds and the Prior Bonds.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article “the,” refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2004 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2004 Bonds, and not so included, may be included in another Supplemental Resolution.

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

“System” means the complete public service properties of the Issuer for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

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

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

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairperson or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairperson or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND THE REFUNDING OF THE SERIES 2001 A BOND

Section 2.01. Authorization of Acquisition and Construction of the Project and the Refunding of the Series 2001 A Bond. There is hereby authorized and ordered the refunding of the Series 2001 A Bond and the acquisition and construction of the Project, at an estimated cost of \$5,485,550, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2004 Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Government, the Authority, and the Council.

The cost of the Project, including the cost of refunding the Series 2001 A Bond, is estimated to be \$5,485,550, of which \$1,000,000 will be obtained from proceeds of the Series 2004 A Bonds, \$360,000 will be obtained from proceeds of the Series 2004 B Bonds, \$1,210,550 will be obtained from a grant by the Government, \$2,415,000 will be obtained from a grant by the Council, and \$500,000 will be obtained from a grant by the Appalachian Regional Commission. The cost of refunding the Series 2001 A Bond is estimated to be \$295,000, which will be paid from proceeds of the Series 2004 A Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2004 Bonds, funding the respective Reserve Account for the Series 2004 Bonds, paying Costs of the Project not otherwise provided for, paying the cost of refunding the Series 2001 A Bond and paying certain costs of issuance of the Series 2004 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2004 Bonds of the Issuer. The Series 2004 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund)," in the principal amount of not more than \$1,000,000, and "Water Revenue Bonds, Series 2004 B (United States Department of Agriculture)," in the principal amount of not more than \$360,000, and each shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2004 Bonds remaining after funding the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2004 Bonds, if any, shall be deposited in or credited to the Series 2004 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 2004 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2004 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2004 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2004 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2004 A Bonds. The Series 2004 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

B. The Series 2004 B Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the legal maximum rate, payable monthly on such dates, shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2004 B Bonds.

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

Section 3.03. Execution of Bonds. The Series 2004 Bonds shall be executed in the name of the Issuer by the Chairperson, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2004 Bonds shall cease to be such officer of the Issuer before the Series 2004 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2004 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Bond Registrar; Authentication and Registration. A. The Bond Registrar for the Series 2004 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No such Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any such Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of such Bonds issued hereunder. The provisions of this paragraph relating to authentication and registration shall not apply to the Series 2004 B Bonds.

B. The Issuer shall be the Bond Registrar for the Series 2004 B Bonds and will keep, or cause to be kept by its agent, at its office, books for the registration and transfer of the Series 2004 B Bonds and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2004 B Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2004 B Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2004 B Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2004 B Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2004 B Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2004 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 Registered Owner, in accepting the Series 2004 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered Owner shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide registered owner for value.

So long as the Series 2004 Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2004 Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto, together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2004 Bonds or transferring the registered Series 2004 Bonds is exercised, all such Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All such Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of such Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on such Bonds or, in the case of any proposed redemption of such Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2004 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2004 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Registered Owner of such Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay such Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2004 A Bonds and the Series 2004 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net

Revenues, on a parity with the lien on the Net Revenues in favor of the Registered Owners of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2004 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation and the Prior Resolutions, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. A. The Issuer shall execute and deliver the Series 2004 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2004 A Bonds to the original purchasers upon receipt of a request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver such Bonds to the original purchasers.

B. The Issuer shall execute and deliver the Series 2004 B Bonds to the Government as soon as the Government will accept such delivery.

Section 3.10. Form of Bonds. The text of each series of the Series 2004 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2004 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$1,000,000

KNOW ALL MEN BY THESE PRESENTS: That CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of ONE MILLION DOLLARS (\$1,000,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2006, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated November 12, 2004.

This Bond is issued (i) to pay in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as

amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOSUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$192,000 (THE "SERIES 1982 BOND"); AND (4) ISSUED CONCURRENTLY HERewith THE WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$360,000 (THE "SERIES 2004 B BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1982 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 B Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds; provided however, that so long as there exists in the Series 2004 A Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds, an amount at least equal to the requirement

therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of refunding the Series 2001 A Bond, the costs of the Project and the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

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

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

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

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

[SEAL]

Chairperson

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2004 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: November 12, 2004.

CLAY COUNTY BANK, INC., as Registrar

By: _____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

	<u>AMOUNT</u>	<u>DATE</u>		<u>AMOUNT</u>	<u>DATE</u>
(1)	\$	11/12/04	(19)	\$	
(2)	\$		(20)	\$	
(3)	\$		(21)	\$	
(4)	\$		(22)	\$	
(5)	\$		(23)	\$	
(6)	\$		(24)	\$	
(7)	\$		(25)	\$	
(8)	\$		(26)	\$	
(9)	\$		(27)	\$	
(10)	\$		(28)	\$	
(11)	\$		(29)	\$	
(12)	\$		(30)	\$	
(13)	\$		(31)	\$	
(14)	\$		(32)	\$	
(15)	\$		(33)	\$	
(16)	\$		(34)	\$	
(17)	\$		(35)	\$	
(18)	\$		(36)	\$	

TOTAL \$_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, 20__.

In the presence of:

(FORM OF SERIES 2004 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1

\$360,000

FOR VALUE RECEIVED, CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of THREE HUNDRED SIXTY THOUSAND DOLLARS (\$360,000), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 4.5% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of \$1,653.00, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof and except that prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security therefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOSUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$192,000 (THE "SERIES 1982 BOND"); AND (4) ISSUED CONCURRENTLY HERewith THE WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,000,000 (THE "SERIES 2004 A BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1982 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 A Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 B Bonds Reserve Account") and unexpended proceeds of this Bond. 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 shall be set aside as a special fund hereby pledged for such purpose. This Bond does not

constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 B Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest on this Bond payable in any year and all other obligations secured by a lien or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds; provided however, that so long as there exists in the Series 2004 B Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth in the Bond Legislation, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

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

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

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

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

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

Chairperson

[SEAL]

ATTEST:

Secretary

(Form of)

RECORD OF ADVANCES

<u>AMOUNT</u>		<u>DATE</u>	<u>AMOUNT</u>		<u>DATE</u>
(1)	\$	11/12/04	(19)	\$	
(2)	\$		(20)	\$	
(3)	\$		(21)	\$	
(4)	\$		(22)	\$	
(5)	\$		(23)	\$	
(6)	\$		(24)	\$	
(7)	\$		(25)	\$	
(8)	\$		(26)	\$	
(9)	\$		(27)	\$	
(10)	\$		(28)	\$	
(11)	\$		(29)	\$	
(12)	\$		(30)	\$	
(13)	\$		(31)	\$	
(14)	\$		(32)	\$	
(15)	\$		(33)	\$	
(16)	\$		(34)	\$	
(17)	\$		(35)	\$	
(18)	\$		(36)	\$	
TOTAL			\$		

(Form of)

ASSIGNMENT

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

Dated: _____, 20__.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2004 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation. The Series 2004 B Bonds shall be sold to the Government, pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions, including all attachments, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Depreciation Fund (established by the Prior Resolutions); and
- (3) Series 2004 Bonds Construction Trust Fund.

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

- (1) Series 2004 A Bonds Sinking Fund;
- (2) Series 2004 A Bonds Reserve Account; and

(3) Series 2004 B Bonds Reserve Account.

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

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, the amount required by the Prior Resolutions for payment of the interest on the Prior Bonds; and (ii) remit to the National Finance Office for deposit in the Series 2004 B Bonds Sinking Fund hereby established at the National Finance Office, the amount of interest due as set forth in the Series 2004 B Bonds.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, the amount required by the Prior Resolutions for payment of the principal of the Prior Bonds; (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2004 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2004 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (iii) remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2004 B Bonds, for deposit in the Series 2004 B Bonds Sinking Fund, the amount of principal due as set forth in the Series 2004 B Bonds.

The deposits into the Series 2004 B Bonds Sinking Fund provided in this paragraph and in Section 5.03A(2) above, constitute actual payments of principal of and interest on the Series 2004 B Bonds to the Government.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the Commission for deposit in the Reserve Accounts for the Prior Bonds, the amounts required by the Prior Resolutions to be deposited therein; (ii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon the issuance of the Series 2004 A Bonds, for deposit in the Series 2004 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2004 A Bonds Reserve Requirement, until the amount in the Series 2004 A Bonds Reserve Account equals the Series 2004 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2004 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2004 A Bonds Reserve Requirement; and (iii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon the issuance of the Series 2004 B Bonds, for deposit in the Series 2004 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2004 B Bonds Reserve Requirement, until the amount in the Series 2004 B Bonds Reserve Account equals the Series 2004 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2004 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2004 B Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Fund, (i) the amounts required by the Prior Resolutions to be deposited therein; and (ii) an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account, so long as the Series 2004 A Bonds are outstanding. All funds in the Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with moneys from the Depreciation Fund.

Moneys in the Series 2004 A Bonds Sinking Fund and the Series 2004 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2004 Bonds, respectively, as the same shall become due. Moneys in the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2004 Bonds, respectively, as the same shall come due, when other moneys in the respective Sinking Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2004 Bonds Construction Trust Fund, and following

completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2004 Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2004 A Bonds Reserve Account or the Series 2004 B Bonds Reserve Account which result in a reduction in the balance therein to below the respective Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2004 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the respective Sinking Fund or the Reserve Account for the Series 2004 Bonds when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 2004 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2004 Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account created hereunder, and all amounts required for such accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority or the Government at any time, the Issuer shall make the necessary arrangements whereby required payments into such accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2004 A Bonds Sinking Fund, the Series 2004 A Bonds Reserve Account and the Series 2004 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The respective Sinking Fund and the Reserve Account for the Series 2004 Bonds shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2004 Bonds, respectively, under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest,

principal and reserve account payments and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

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

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

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

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds.

From the moneys received from the sale of the Series 2004 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2004 A Bonds, there shall first be deposited in the Series 2004 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2004 A Bonds for the period commencing on the date of issuance of the Series 2004 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Series 2004 B Bonds, there shall first be deposited in the Series 2004 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2004 B Bonds for the period commencing on the date of issuance of the Series 2004 B Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 2004 A Bonds, there shall be deposited in the Series 2004 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2004 A Bonds Reserve Account.

D. Next, from the proceeds of the Series 2004 B Bonds, there shall be deposited in the Series 2004 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2004 B Bonds Reserve Account.

E. Next, from the proceeds of the Series 2004 A Bonds, there shall be paid to the Commission, the amount set forth in the Supplemental Resolution for paying in full the entire outstanding principal of and any accrued interest and administrative fees on the Series 2001 A Bonds.

F. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2004 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2004 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2004 A Bonds.

G. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2004 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 2004 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2004 B Bonds.

H. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2004 A Bonds shall be expended as directed by the Council and any remaining proceeds of the Series 2004 B Bonds shall be expended as directed by the Government.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

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

Except as provided in Section 6.01 hereof, disbursements of proceeds of the Series 2004 A Bonds from the Series 2004 Bonds Construction Trust Fund shall be made only after submission to and approval from the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

The Issuer shall expend all proceeds of the Series 2004 A Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

B. The proceeds of the Series 2004 B Bonds in the Series 2004 Bonds Construction Trust Fund shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Government.

Until completion of acquisition and construction of the Project, the Issuer will transfer sufficient proceeds of the Series 2004 B Bonds from the Series 2004 Bonds Construction Trust Fund and pay to the Government on or before the due date, such sums as shall be required to make the monthly payments on the Series 2004 B Bonds, if there are not sufficient revenues to make such monthly payments.

Pending such application, moneys in the Series 2004 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2004 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2004 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2004 Bonds or the interest, if any, thereon are Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2004 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Registered Owner of the Series 2004 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2004 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2004 A Bonds and the Series 2004 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues, on a parity with the lien on the Net Revenues in favor of the Registered Owners of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2004 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

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

So long as the Series 2004 Bonds are Outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2004 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement,

the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. Additionally, so long as the Series 2004 Bonds are Outstanding and except as otherwise required by law or with the written consent of the Council, the Authority and the Government, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2004 Bonds, be remitted to the respective Sinking Funds and applied to the payment of principal of and interest, if any, on the Series 2004 Bonds. Any balance remaining after the payment of the Series 2004 Bonds and interest, if any, thereon shall be remitted to the Issuer unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Depreciation Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Depreciation Fund. The payment of such proceeds into the Depreciation Fund shall not reduce the amount required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Registered Owners of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2004 Bonds. All obligations issued by the Issuer after the issuance of the Series 2004 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2004 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2004 Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2004 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2004 Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority, the Council and the Government under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2004 Bonds.

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

So long as the Series 2004 B Bonds are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

- (1) The Bonds then Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Series 2004 B Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2004 B Bonds are no longer Outstanding, the following parity requirement shall be met:

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

(1) The Bonds then Outstanding;

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

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

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

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the

Registered Owners of the Bonds and the Registered Owners of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2004 Bonds.

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

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

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

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

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the 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 Council, the Authority, the Government, or any other original purchaser of the Series 2004 Bonds, and shall mail in each year to any Registered Owner of the Series 2004 Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2004 Bonds, and shall submit said report to the Council, the Authority and the Government, or any other original purchaser of the Series 2004 Bonds. Such audit report submitted to the Authority, the Council and the Government shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Operating Expenses and debt service and reserve requirements.

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

The Issuer shall permit the Authority, the Council and the Government, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Authority, the Council and the Government, or their agents and

representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority, the Council and the Government with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2004 Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Reserve Accounts for the Series 2004 Bonds and the reserve accounts for obligations on a parity with the Series 2004 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2004 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2004 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority, the Council and the Government within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the Council and the Government and to any Registered Owner of the Series 2004 Bonds, within 30 days of adoption

thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority, the Council and the Government and to any Registered Owner of the Series 2004 Bonds, or anyone acting for and on behalf of such Registered Owner.

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

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

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

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

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

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

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

Section 7.14. No Free Services. Except as required by law, the Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis

(completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

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

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

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

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

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

their interests may appear. The Issuer shall verify such insurance prior to commencement of construction.

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

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

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2004 Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. [Reserved]

Section 7.19. Statutory Mortgage Lien. For the further protection of the Registered Owner of the Series 2004 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2004 Bonds; provided however, that the statutory mortgage lien of the Series 2004 Bonds shall be on a parity with the statutory mortgage lien of the Prior Bonds.

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

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

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

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2004 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council and the Government for written approval. The Issuer shall obtain the written approval of the Council and the Government before expending any proceeds of the Series 2004 Bonds held in "contingency" as set forth in the schedules attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council and the Government before expending any proceeds of the Series 2004 Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2004 Bonds are Outstanding.

Section 8.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2004 Bonds as a condition to issuance of the Series 2004 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2004 Bonds as may be necessary in order to maintain the status of the Series 2004 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2004 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2004 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2004 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2004 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2004 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2004 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2004 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or a Registered Owner of a Bond; or

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

(4) If default occurs under the Prior Bonds or the Prior Resolutions.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2004 Bonds may exercise any available remedy and

bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Registered Owners of the Series 2004 Bonds shall be on a parity with those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2004 Bonds may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as

such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

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

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Series 2004 A Bonds. If the Issuer shall pay or there shall otherwise be paid to the Registered Owners of the Series 2004 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2004 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 10.02. Payment of Series 2004 B Bonds. If the Issuer shall pay or there shall otherwise be paid to the Registered Owners of the Series 2004 B Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2004 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2004 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2004 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2004 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2004 Bonds so affected

and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Registered Owner as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2004 Bonds from gross income of the Registered Owners thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2004 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2004 Bonds.

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

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

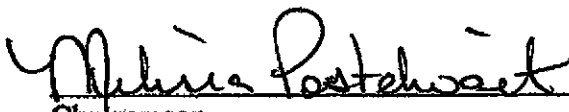
Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular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

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the PSC for a certificate of public convenience and necessity and adoption of this Resolution, the Secretary shall have caused to be published in a newspaper of general circulation in each municipality in Clay-Roane Public Service District and within the boundaries of the Issuer, a Class II legal advertisement stating:

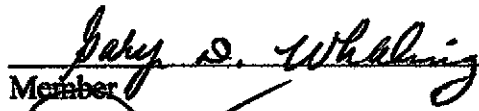
- hereby;
- same;
- (a) The maximum amount of the Series 2004 Bonds to be issued;
 - (b) The maximum interest rate and terms of the Series 2004 Bonds authorized
 - (c) The public service properties to be acquired or constructed and the cost of the
 - (d) The maximum anticipated rates which will be charged by the Issuer; and
 - (e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the PSC.

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

Adopted this 14th day of October, 2004.


Chairperson


Member


Member


Member


Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of
CLAY-ROANE PUBLIC SERVICE DISTRICT on the 14th day of October, 2004.

Dated this 14 day of Oct, 2004.

[SEAL]

Crystal McKinney
Secretary

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE CLAY-ROANE PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 2004 A BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE SERIES 2004 B BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE; APPROVING AND RATIFYING THE LOAN AGREEMENT WITH RESPECT TO THE SERIES 2004 A BONDS; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Clay-Roane Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on October 14, 2004 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BOND, SERIES 2001 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF CLAY-ROANE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), AND NOT MORE THAN \$360,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR

THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance of the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Series 2004 B (United States Department of Agriculture), of the Issuer, in the respective aggregate principal amounts not to exceed \$1,000,000 and \$360,000 (collectively, the "Bonds" and individually, the "Series 2004 A Bonds" and the "Series 2004 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 2004 A Bonds, including all schedules and exhibits attached thereto (collectively, the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be therein provided for;

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

WHEREAS, the Series 2004 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement and the Series 2004 B Bonds are proposed to be purchased by the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government") pursuant to the Letter of Conditions; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF CLAY-ROANE PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is

adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

A. Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single bond, numbered AR-1, in the original principal amount of \$1,000,000. The Series 2004 A Bonds shall be dated the date of delivery, shall finally mature September 1, 2044, and shall bear no interest. The principal of the Series 2004 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2006, in the amounts set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2004 A Bonds. The Series 2004 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the Registered Owner of the Series 2004 A Bonds.

B. Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), of the Issuer, originally represented by a single bond, numbered BR-1, in the original principal amount of \$360,000. The Series 2004 B Bonds shall be dated the date of delivery, shall mature forty years from the date thereof, and the principal amount advanced under the Series 2004 B Bonds shall bear interest at the rate of 4.5% per annum. Monthly installments of interest only on the amounts advanced under the Series 2004 B Bonds are payable 30 days following the date of delivery of the Series 2004 B Bonds and on the corresponding day of each month thereafter for the first 24 months after the date of delivery of the Series 2004 B Bonds, and thereafter, monthly installments of principal of and interest on the Series 2004 B Bonds, in the aggregate amount of \$1,653.00, are payable on the corresponding day of each month, except that the final installment on the Series 2004 B Bonds shall be paid at the end of 40 years from the date of the Series 2004 B Bonds in the sum of the unpaid principal and interest due on the date thereof. The Series 2004 B Bonds are subject to prepayment as set forth in the Resolution and the Series 2004 B Bonds. All principal and interest payments on the Series 2004 B Bonds will be paid by the Issuer directly to the order of the United States of America at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

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

Section 3. The Issuer hereby ratifies, approves and accepts the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairperson and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The Issuer hereby ratifies, approves and accepts the Letter of Conditions, and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, is hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates Clay County Bank, Clay, West Virginia, to serve as Registrar (the "Registrar") for the Series 2004 A Bonds under the Resolution and approves and accepts the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairperson, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 5. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as Paying Agent for the Series 2004 A Bonds under the Resolution.

Section 6. The Issuer hereby appoints and designates Clay County Bank, Clay, West Virginia, to serve as Depository Bank for the Revenue Fund, the Depreciation Fund and the Series 2004 Bonds Construction Trust Fund.

Section 7. Series 2004 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2004 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 2004 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2004 A Bonds Reserve Account.

Section 9. Series 2004 A Bonds proceeds in the amount of \$295,000 shall be paid to the Commission to pay in full the entire outstanding principal of and any accrued interest and administrative fees on the Series 2001 A Bond.

Section 10. Series 2004 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2004 B Bonds Sinking Fund as capitalized interest.

Section 11. Series 2004 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2004 B Bonds Reserve Account.

Section 12. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2004 Bonds Construction Trust Fund, as received by the Issuer for payment of costs of the Project, including costs of issuance of the Bonds.

Section 13. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Series 2004 A Bonds may be delivered to the Authority pursuant to the Loan Agreement on November 12, 2004, and the Series 2004 B Bonds may be delivered to the Government pursuant to the Letter of Conditions on November 12, 2004.

Section 14. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and

will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Sinking Funds and the Reserve Accounts for the Series 2004 Bonds shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 16. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairperson is hereby authorized and directed to execute and deliver all such contracts.

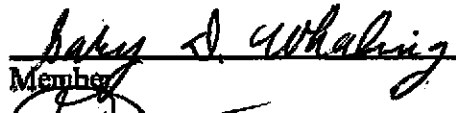
Section 17. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 14th day of October, 2004.


Chairperson


Member


Member


Member

CERTIFICATION

Certified as a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Clay-Roane Public Service District on the 14th day of October, 2004.

Dated this 12th day of November, 2004.

[SEAL]

Crystal McKinney
Secretary

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$1,000,000

KNOW ALL MEN BY THESE PRESENTS: That CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of ONE MILLION DOLLARS (\$1,000,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2006, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated November 12, 2004.

This Bond is issued (i) to pay in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds

under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$192,000 (THE "SERIES 1980 BOND"); AND (4) ISSUED CONCURRENTLY HERewith THE WATER REVENUE BONDS, SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$360,000 (THE "SERIES 2004 B BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1980 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 B Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds; provided however, that so long as there exists in the Series 2004 A Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with

the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of refunding the Series 2001 A Bond, the costs of the Project and the costs of issuance hereof as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

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

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

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

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed
and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

[SEAL]

SPECIMEN
Melissa Pestelwait
Chairperson

ATTEST:

Crystal McKinney
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2004 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: November 12, 2004.

CLAY COUNTY BANK, INC., as Registrar

By:

J. Gregory Geney
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$331,602	11/12/04	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$_____

EXHIBIT B

DEBT SERVICE SCHEDULE

\$1,000,000

Clay-Roane PSD (West Virginia)

40 Years (from Closing Date); 0% Interest Rate

Closing Date: November 12, 2004

Debt Service Schedule

SPECIMEN

Date	Principal	Coupon	Total P+I
12/01/2004	-	-	-
03/01/2005	-	-	-
06/01/2005	-	-	-
09/01/2005	-	-	-
12/01/2005	-	-	-
03/01/2006	-	-	-
06/01/2006	-	-	-
09/01/2006	-	-	-
12/01/2006	6,578.95	-	6,578.95
03/01/2007	6,578.95	-	6,578.95
06/01/2007	6,578.95	-	6,578.95
09/01/2007	6,578.95	-	6,578.95
12/01/2007	6,578.95	-	6,578.95
03/01/2008	6,578.95	-	6,578.95
06/01/2008	6,578.95	-	6,578.95
09/01/2008	6,578.95	-	6,578.95
12/01/2008	6,578.95	-	6,578.95
03/01/2009	6,578.95	-	6,578.95
06/01/2009	6,578.95	-	6,578.95
09/01/2009	6,578.95	-	6,578.95
12/01/2009	6,578.95	-	6,578.95
03/01/2010	6,578.95	-	6,578.95
06/01/2010	6,578.95	-	6,578.95
09/01/2010	6,578.95	-	6,578.95
12/01/2010	6,578.95	-	6,578.95
03/01/2011	6,578.95	-	6,578.95
06/01/2011	6,578.95	-	6,578.95
09/01/2011	6,578.95	-	6,578.95
12/01/2011	6,578.95	-	6,578.95

03/01/2012	6,578.95	-	6,578.95
06/01/2012	6,578.95	-	6,578.95
09/01/2012	6,578.95	-	6,578.95
12/01/2012	6,578.95	-	6,578.95
03/01/2013	6,578.95	-	6,578.95
06/01/2013	6,578.95	-	6,578.95
09/01/2013	6,578.95	-	6,578.95
12/01/2013	6,578.95	-	6,578.95
03/01/2014	6,578.95	-	6,578.95
06/01/2014	6,578.95	-	6,578.95
09/01/2014	6,578.95	-	6,578.95
12/01/2014	6,578.95	-	6,578.95
03/01/2015	6,578.95	-	6,578.95
06/01/2015	6,578.95	-	6,578.95
09/01/2015	6,578.95	-	6,578.95
12/01/2015	6,578.95	-	6,578.95
03/01/2016	6,578.95	-	6,578.95
06/01/2016	6,578.95	-	6,578.95
09/01/2016	6,578.95	-	6,578.95
12/01/2016	6,578.95	-	6,578.95
03/01/2017	6,578.95	-	6,578.95
06/01/2017	6,578.95	-	6,578.95
09/01/2017	6,578.95	-	6,578.95
12/01/2017	6,578.95	-	6,578.95
03/01/2018	6,578.95	-	6,578.95
06/01/2018	6,578.95	-	6,578.95
09/01/2018	6,578.95	-	6,578.95
12/01/2018	6,578.95	-	6,578.95
03/01/2019	6,578.95	-	6,578.95
06/01/2019	6,578.95	-	6,578.95
09/01/2019	6,578.95	-	6,578.95
12/01/2019	6,578.95	-	6,578.95
03/01/2020	6,578.95	-	6,578.95
06/01/2020	6,578.95	-	6,578.95
09/01/2020	6,578.95	-	6,578.95
12/01/2020	6,578.95	-	6,578.95
03/01/2021	6,578.95	-	6,578.95
06/01/2021	6,578.95	-	6,578.95
09/01/2021	6,578.95	-	6,578.95
12/01/2021	6,578.95	-	6,578.95
03/01/2022	6,578.95	-	6,578.95
06/01/2022	6,578.95	-	6,578.95
09/01/2022	6,578.95	-	6,578.95
12/01/2022	6,578.95	-	6,578.95
03/01/2023	6,578.95	-	6,578.95
	6,578.95	-	6,578.95

06/01/2023			
09/01/2023	6,578.95	-	6,578.95
12/01/2023	6,578.95	-	6,578.95
03/01/2024	6,578.95	-	6,578.95
06/01/2024	6,578.95	-	6,578.95
09/01/2024	6,578.95	-	6,578.95
12/01/2024	6,578.95	-	6,578.95
03/01/2025	6,578.95	-	6,578.95
06/01/2025	6,578.95	-	6,578.95
09/01/2025	6,578.95	-	6,578.95
12/01/2025	6,578.95	-	6,578.95
03/01/2026	6,578.95	-	6,578.95
06/01/2026	6,578.95	-	6,578.95
09/01/2026	6,578.95	-	6,578.95
12/01/2026	6,578.95	-	6,578.95
03/01/2027	6,578.95	-	6,578.95
06/01/2027	6,578.95	-	6,578.95
09/01/2027	6,578.95	-	6,578.95
12/01/2027	6,578.95	-	6,578.95
03/01/2028	6,578.95	-	6,578.95
06/01/2028	6,578.95	-	6,578.95
09/01/2028	6,578.95	-	6,578.95
12/01/2028	6,578.95	-	6,578.95
03/01/2029	6,578.95	-	6,578.95
06/01/2029	6,578.95	-	6,578.95
09/01/2029	6,578.95	-	6,578.95
12/01/2029	6,578.95	-	6,578.95
03/01/2030	6,578.95	-	6,578.95
06/01/2030	6,578.95	-	6,578.95
09/01/2030	6,578.95	-	6,578.95
12/01/2030	6,578.95	-	6,578.95
03/01/2031	6,578.95	-	6,578.95
06/01/2031	6,578.95	-	6,578.95
09/01/2031	6,578.95	-	6,578.95
12/01/2031	6,578.95	-	6,578.95
03/01/2032	6,578.95	-	6,578.95
06/01/2032	6,578.95	-	6,578.95
09/01/2032	6,578.95	-	6,578.95
12/01/2032	6,578.95	-	6,578.95
03/01/2033	6,578.95	-	6,578.95
06/01/2033	6,578.95	-	6,578.95
09/01/2033	6,578.95	-	6,578.95
12/01/2033	6,578.95	-	6,578.95
03/01/2034	6,578.95	-	6,578.95
06/01/2034	6,578.95	-	6,578.95
09/01/2034	6,578.95	-	6,578.95

12/01/2034	6,578.94	-	6,578.94
03/01/2035	6,578.94	-	6,578.94
06/01/2035	6,578.94	-	6,578.94
09/01/2035	6,578.94	-	6,578.94
12/01/2035	6,578.94	-	6,578.94
03/01/2036	6,578.94	-	6,578.94
06/01/2036	6,578.94	-	6,578.94
09/01/2036	6,578.94	-	6,578.94
12/01/2036	6,578.94	-	6,578.94
03/01/2037	6,578.94	-	6,578.94
06/01/2037	6,578.94	-	6,578.94
09/01/2037	6,578.94	-	6,578.94
12/01/2037	6,578.94	-	6,578.94
03/01/2038	6,578.94	-	6,578.94
06/01/2038	6,578.94	-	6,578.94
09/01/2038	6,578.94	-	6,578.94
12/01/2038	6,578.94	-	6,578.94
03/01/2039	6,578.94	-	6,578.94
06/01/2039	6,578.94	-	6,578.94
09/01/2039	6,578.94	-	6,578.94
12/01/2039	6,578.94	-	6,578.94
03/01/2040	6,578.94	-	6,578.94
06/01/2040	6,578.94	-	6,578.94
09/01/2040	6,578.94	-	6,578.94
12/01/2040	6,578.94	-	6,578.94
03/01/2041	6,578.94	-	6,578.94
06/01/2041	6,578.94	-	6,578.94
09/01/2041	6,578.94	-	6,578.94
12/01/2041	6,578.94	-	6,578.94
03/01/2042	6,578.94	-	6,578.94
06/01/2042	6,578.94	-	6,578.94
09/01/2042	6,578.94	-	6,578.94
12/01/2042	6,578.94	-	6,578.94
03/01/2043	6,578.94	-	6,578.94
06/01/2043	6,578.94	-	6,578.94
09/01/2043	6,578.94	-	6,578.94
12/01/2043	6,578.94	-	6,578.94
03/01/2044	6,578.94	-	6,578.94
06/01/2044	6,578.94	-	6,578.94
09/01/2044	6,578.94	-	6,578.94
Total	\$1,000,000.00	-	\$1,000,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1

\$360,000

FOR VALUE RECEIVED, CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Clay and Roane Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of THREE HUNDRED SIXTY THOUSAND DOLLARS (\$360,000), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 4.5% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of \$1,653.00, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof and except that prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security therefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt

evidenced hereby and be immediately due and payable by the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on October 14, 2004, and a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1990, DATED NOVEMBER 5, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$450,000 (THE "SERIES 1990 BOND"); (2) WATER REVENUE BOND (VARNEYTOWN PROJECT), SERIES 1997, DATED APRIL 4, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$40,000 (THE "SERIES 1997 BOND"); (3) THE PROCIOSUS PUBLIC SERVICE DISTRICT, WATER REVENUE BOND, SERIES 1982, DATED SEPTEMBER 24, 1982, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$192,000 (THE "SERIES 1980 BOND"); AND (4) ISSUED CONCURRENTLY HEREWITH THE WATER REVENUE BONDS, SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 12, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,000,000 (THE "SERIES 2004 A BONDS"). THE SERIES 1990 BOND, THE SERIES 1997 BOND AND THE SERIES 1982 BOND ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the Prior Bonds and the Series 2004 A Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2004 B Bonds Reserve Account") and unexpended proceeds of this Bond. 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 shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2004 B Bonds Reserve Account and unexpended proceeds of this Bond.

Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest on this Bond payable in any year and all other obligations secured by a lien or payable from such revenues on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds; provided however, that so long as there exists in the Series 2004 B Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds and the Series 2004 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth in the Bond Legislation, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

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

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

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

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

IN WITNESS WHEREOF, CLAY-ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 12, 2004.

SPECIMEN

Melesic Postelwait
Chairperson

[SEAL]

ATTEST:

Crystal McKinney
Secretary

(Form of)

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$274,123	11/12/04	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$

(Form of)

ASSIGNMENT

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

Dated: _____

SPECIMEN

In the presence of:

BOND REGISTER

**\$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

<u>BOND NO.</u>	<u>AMOUNT</u>	<u>REGISTERED OWNER</u>	<u>DATE OF BOND</u>
AR-1	\$1,000,000	West Virginia Water Development Authority 180 Association Drive Charleston, WV 25311	November 12, 2004

**ALL ASSIGNMENTS OR CHANGES OF OWNERSHIP OF THESE BONDS MUST BE
REPORTED ON THIS BOND REGISTER PURSUANT TO SECTION 3.05 OF THE BOND
RESOLUTION.**

BOND REGISTER

\$360,000

**CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)**

<u>BOND NO.</u>	<u>AMOUNT</u>	<u>REGISTERED OWNER</u>	<u>DATE OF BOND</u>
BR-1	\$360,000	United States of America National Finance Office 1520 Market Street St. Louis, Missouri 63103	November 12, 2004

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

CLAY/ROANE PUBLIC SERVICE DISTRICT**WATER REVENUE BONDS, SERIES 1990****BOND RESOLUTION****Table of Contents**

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CLAY/ROANE PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1990

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SERVICE PROPERTIES OF CLAY/ROANE PUBLIC SERVICE DISTRICT CONSTITUTING WATERWORKS FACILITIES AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$450,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND, SERIES 1990; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDERS OF THE BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF CLAY/ROANE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Clay/Roane Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Clay and Roane Counties of said State, duly created by The County Commission of Clay County pursuant to the Act.

B. The Issuer presently does not own or operate a public waterworks system, and it is deemed essential, convenient, necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer, and, accordingly, it is hereby ordered that there be acquired and constructed certain waterworks facilities consisting of a waterworks system of approximately 11 miles from Prociuous, Clay County, to Newton, Roane County, including transmission facilities, a 50 gpm booster station,

a 100,000 gallon water storage tank and upgrading an existing booster station to 70 gpm, with all necessary appurtenant facilities (the "Project"), which constitute properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (the Project and any additions and improvements thereto or extensions thereof is herein called the "System") at an estimated cost of \$1,995,000, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Public Service Board (the "Governing Body") of the Issuer, of which approximately \$450,000 will be obtained from the Bond, approximately \$750,000 will be obtained by a grant from the Purchaser, approximately \$750,000 will be obtained by a grant from the Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), approximately \$25,000 will be obtained by a grant from The County Commission of Clay County and approximately \$20,000 will be obtained by a grant from The County Commission of Roane County. Water will be purchased from Precious Public Service District pursuant to a water purchase contract between Precious Public Service District and the Issuer. The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bond in the aggregate principal amount of \$450,000 to finance part of the costs of acquisition and construction of the Project. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the acquisition of any necessary property, real or personal, or interest therein; interest on the Bond prior to, during and for 6 months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby; provided, that reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for Costs of the Project by the Issuer shall be deemed Costs of the Project.

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

F. It is in the best interests of the Issuer that the Bond be sold to the United States Department of Agriculture, Farmers Home Administration (the "Purchaser"), pursuant to the terms and provisions of a letter of conditions dated April 6, 1988, and all amendments thereto (collectively, the "Letter of Conditions").

G. There are no outstanding obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge and/or source of and security for payment.

H. The Issuer has complied with all requirements of law relating to authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bond, or will have so complied prior to issuance of the Bond, including among other things and without limitation, the consent and approval, pursuant to the Act and all other provisions of law, of the issuance of the Bond, the acquisition and construction of the Project and the imposition of rates and charges by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bond by those who shall be the Registered Owner of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of such Bond.

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

"Act" means Chapter 16, Article 13A, of the West Virginia Code of 1931, as amended.

"Bond" means the Water Revenue Bond, Series 1990, authorized hereby to be issued.

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

"Bond Registrar" or "Registrar" means the Issuer, which shall usually so act by its Secretary.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Kelley, Gidley, Blair & Wolfe, Charleston, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

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

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Public Service Board of the Issuer.

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

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

"Issuer" or "District" means Clay/Roane Public Service District, in Clay and Roane Counties, West Virginia, and includes the Governing Body.

"Letter of Conditions" means the letter of conditions of the Purchaser dated April 6, 1988, and all amendments thereto.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital provided that all monthly amortization payments upon the Bond and into the Reserve Fund and the Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

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

(a) Government Obligations;

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

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

Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

collateral must be free of all claims by third parties;

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

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

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

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Governing Body.

"State" means the State of West Virginia.

"Surplus Revenues" shall have the meaning set forth in Section 4.03 hereof.

"System" means the Project initially, and includes the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system, and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks 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.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$1,995,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer, to be known as "Water Revenue Bond, Series 1990," is hereby authorized to be issued in the aggregate principal amount of not exceeding \$450,000 for the purpose of permanently financing a portion of the Costs of the Project.

Section 3.02. Description of Bond. The Bond shall be issued in single form, No. R-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Bond shall bear interest from date of delivery, payable monthly at the rate of 5% per annum and shall be sold for the par value thereof.

The Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bond. Subject to the provisions for transfer of registration set forth below, the Bond shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State, but the Bond, and the right to principal of, and stated interest on, the Bond, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on the Bond.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Bond, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.

The Bond Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Bond shall initially be fully registered as to both principal and interest in the name of the United States of America, Farmers Home Administration. So long as the Bond shall be registered in the name of the United States of America, Farmers Home Administration, the address of the United States of America, Farmers Home Administration, for registration purposes shall be Post Office Box 678, Morgantown, West Virginia 26505, or such other address as shall be stated in writing to the Issuer by the United States of America, Farmers Home Administration.

Section 3.05. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and

substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be cancelled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured forthwith by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided for. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CLAY/ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1990

\$450,000

No. R-1

Date: _____

FOR VALUE RECEIVED, CLAY/ROANE PUBLIC SERVICE DISTRICT (herein called the "Issuer") promises to pay to the order of the United States of America, Farmers Home Administration (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri, 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of FOUR HUNDRED FIFTY THOUSAND DOLLARS (\$450,000), plus interest on the unpaid principal balance at the rate of 5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following the date of delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$2,210, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after

payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

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

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

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

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

This Bond is issued to permanently finance a portion of the costs of acquisition and construction of new waterworks facilities of the Issuer, and this Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of additions, extensions and improvements to the waterworks system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after

there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest thereon except from the special fund so provided.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A, of the West Virginia Code (herein called the "Act"), and with a resolution of the Issuer duly adopted authorizing issuance of this Bond (the "Bond Legislation").

If at any time it shall appear to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, the Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, CLAY/ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

CLAY/ROANE PUBLIC SERVICE DISTRICT

(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board

(Title of Executive Official)

Route 36

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

Newton, West Virginia 25266

(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board

(Title of Attesting Official)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	

TOTAL \$ _____

[Form of Assignment]

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created and established 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) Project Construction Account;
- (3) Depreciation Reserve; and
- (4) Reserve Fund.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Bond shall be deposited upon receipt by the Issuer in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Moneys in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been

made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued to the date of such payment, the Issuer further covenants with the holder of the Bond as follows:

(A) REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided herein.

(B) DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(i) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(ii) The Issuer shall next, on or before the due date of payment of each installment on the Bond, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond) the amount required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond issue.

(iii) The Issuer shall also, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund, 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum amount of principal and interest which will become due on the Bond in any year, until the amount in the Reserve Fund equals such maximum amount (the "Minimum Reserve"). After the Minimum Reserve

has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bond and for payment of Operating Expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bond to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bond, or for mandatory prepayment of the Bond as hereinafter provided, and for no other purpose; provided, however, that when the Minimum Reserve has been accumulated in the Reserve Fund, all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund and used for prepayment of the principal of the Bond.

(iv) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$99,750, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(v) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not required to be retained therein, if any ("Surplus

Revenues"), may be used to prepay installments of the Bond or for any lawful purpose.

Whenever the moneys in the Reserve Fund shall be sufficient to prepay the Bond in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bond at the earliest practical date and in accordance with applicable provisions hereof.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Reserve Fund and the Depreciation Reserve herein provided, and all amounts required for the Reserve Fund and Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

The Revenue Fund, the Reserve Fund and the Depreciation Reserve shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bond and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all

times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund. Earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

(C) CHANGE OF DEPOSITORY BANK AND FISCAL AGENT. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank and Fiscal Agent if the aforesaid bank should cease for any reason to serve or if the Governing Body determines by resolution that said bank or its successor should no longer serve as Depository Bank and Fiscal Agent. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) USER CONTRACTS. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be at least 200 bona fide users upon the System on completion of the Project, in full compliance with the requirements and conditions of the Purchaser.

(E) CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

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

(G) REMITTANCES. All remittances made by the Issuer to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

(H) GROSS REVENUES. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Bondholder.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bond, and sufficient to make the payments required to be made into the Reserve Fund and Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such Fiscal Year, and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of any or all of the Revenues of the System shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all

above-ground structures of the System in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bond.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for all Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code

Section 38-2-39. Workers' compensation insurance will be maintained as required by law.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$50,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(f) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Fiscal Year; Budget. While the Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next

preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.07. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Governing Body on the date of adoption hereof, subject to permitted changes.

Section 5.08. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer further covenants to comply with the Act with respect to such books, records and accounts.

Section 5.09. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bond is outstanding.

Section 5.10. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

Section 5.11. Statutory Mortgage. For the further protection of the Holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bond.

Section 5.12. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment upon the Bond at the date specified for payment thereof;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law.

Section 5.13. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.14. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Order of the Public Service Commission of West Virginia, entered on September 21, 1990, Case No. 89-564-PWD-CN, which order is incorporated herein by reference as a part hereof.

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

C. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

D. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

E. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such rates and charges.

F. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bond. If the Issuer shall pay, or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Bond, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bond No. R-1. The Chairman, Treasurer and Secretary of the Governing Body are hereby authorized and directed to cause Bond No. R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 7.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflict, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required

to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.08. Effective Date. This Resolution shall take effect immediately upon its adoption.

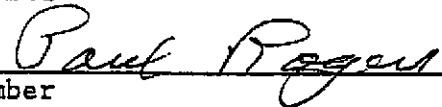
Adopted: November 5, 1990.



Chairman



Member



Member

11/02/90
CRB.A4
16272/89001

CLAY ROANE PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SERVICE PROPERTIES AND ISSUANCE OF PARITY WATER REVENUE BOND, SERIES 1997, OF THE CLAY ROANE PUBLIC SERVICE DISTRICT, IN THE AMOUNT OF \$40,000, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE BOND; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM; PROVIDING FOR THE ADOPTION, RATIFICATION, APPROVAL AND COLLECTION OF RATES AND CHARGES FOR THE PUBLIC WATER SYSTEM; AUTHORIZING EXECUTION OF A WATER PURCHASE CONTRACT; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF CLAY ROANE PUBLIC SERVICE DISTRICT, VALLEY FORK, WEST VIRGINIA:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of Article 13A, Chapter 16 of the West Virginia Code, as amended (the "Act") and other applicable provisions of law.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. Clay Roane Public Service District (the "PSD" or "Issuer") is a public service district created pursuant to the Act by orders issued by The County Commissions of Clay and Roane Counties, located in Clay and Roane Counties, West Virginia.

B. The Issuer now has a public water system and desires to improve and expand that system and 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 public water system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the Public Service District, 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 Secretary of the Public Service Board (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. It is necessary for the Issuer to issue its revenue bond in the aggregate principal amount of \$40,000 to finance a portion of the cost of such construction in the manner hereinafter provided.

D. The estimated maximum cost of the construction of the Project is \$390,000, which will be obtained from the proceeds of sale of the Series 1997 Bond herein authorized, from grants to be made by RUS, as hereinafter defined, and by the Clay County Commission, in the amounts of \$288,000 and \$60,000, respectively, and from an Issuer contribution of \$2,000. The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or any interest therein; interest on the Bond prior to, during and for six (6) months after completion of such

construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby.

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

F. There is currently outstanding another obligation of the Issuer with which the Bond will rank on a parity as to lien and source of and security for payment which is the Water Revenue Bond of the Issuer, dated November 5, 1990 (the "1990 Bond") issued in the original principal amount of \$450,000 secured under the terms of the 1990 Resolution (hereinafter defined).

With the exception of the bonds described above, there are no other outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge and/or source of and security for payment.

G. The Issuer is not in default under the terms of the 1990 Resolution or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid waiver thereof.

H. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bond, or will have so complied prior to issuance of the Bond including, among other things, the imposition of rates and charges, the consent and approval, pursuant to the Act, of the issuance of the Bond by the Public Service Commission of West Virginia by final order.

J. It is in the best interests of the Issuer that the Bond be sold to the United States Department of Agriculture, Rural Development, acting on behalf of the Rural Utilities Service (the "Purchaser" or "RUS"), pursuant to the terms

and provisions of a letter of conditions dated July 24, 1995, and all amendments thereto (the "Letter of Conditions").

Section 1.03. Resolution to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser, this Resolution (the "Resolution") shall be deemed to be and shall constitute a contract between the Issuer and the Purchaser, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Bond.

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

"Act" means Article 13A, Chapter 16 of the West Virginia Code, as amended.

"1997 Bond", "1997 Series Bond" or "Bond" means the \$40,000 Clay Roane Public Service District, Water Revenue Bond (Varneytown Project), Series 1997, authorized by this resolution.

"Bonds" means the 1990 Bonds and the 1997 Bond.

"1990 Bonds" means the outstanding Bonds of the Issuer dated November 5, 1990, described in Section 1.02 F. herein.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Chapman Technical Group, St. Albans, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

"Depository Bank" means initially the Clay County Bank, Clay, West Virginia, a bank or trust company which is a member of FDIC and its successors and assigns or such other qualified bank or trust company designated now or hereafter by Issuer.

"Facilities" or "water facilities" means all the land and tangible properties of the System and also any tangible properties which may hereafter be added to the water system by addition, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the Public Service Board of the Issuer.

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

"Herein" means in this Resolution.

"Holder of the Bond" or any similar term means any person who shall be the registered owner of the Bond.

"Issuer" or "PSD" means Clay Roane Public Service District, Clay and Roane Counties, West Virginia, and, where appropriate, also means the Governing Body.

"Letter of Conditions" means the Letter of Conditions of the United States Department of Agriculture, dated July 24, 1995, and any other amendments thereto.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of Operating Expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, and retention of a sum not to exceed one-sixth of the budgeted operating expenses stated above for the current year as working capital, and language herein requiring payment of operating expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bonds and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Project" shall have the meaning stated in Section 1.02 B. above.

"Purchaser", "RUS", acting on behalf of the Rural Utilities Service, means United States of America, Rural Utilities Service and any successor thereof.

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

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

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

"Registrar" or "Bond Registrar" means the Issuer which usually shall act by its Secretary.

"Resolution" means this Resolution and all resolutions supplemental hereto.

"1990 Resolution" means the resolution providing for the 1990 Bond, adopted November 5, 1990.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer or any department,

board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting principles.

"Secretary" means the Secretary of the Governing Body.

"System" means the Project initially, and 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.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations; words importing the masculine, feminine or neuter genders shall include any other gender; and any requirement for execution, sealing and/or attestation of the Bond or any certificate or other document by the Secretary shall mean that such Bond certificate or other document may be executed, sealed and/or attested by an Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$390,000 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUANCE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer to be known as "Clay Roane Public Service District Water Revenue Bond, Series 1997" in the principal amount of \$40,000, is hereby authorized to be issued for the purpose of financing a portion of the cost of the construction and acquisition of the Project.

Section 3.02. Description of Bond. The Bond shall be issued as a single registered form, No. R-1, and shall be dated on the date of delivery. The Bond shall bear interest from date, payable monthly at a maximum rate of four and one half percent (4.50%) per annum or such lower rate that RUS will make available at closing, and shall be sold for the par value thereof but in no event greater than four and one half percent (4.50%) per annum.

The Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer and shall be payable as provided in the Bond form hereinafter set forth.

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

Section 3.04. Negotiability, Registration, Transfer and Exchange of Bond. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, but the Bond may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.05 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. No interest in the Bond shall be transferable except by means of transfer of registration of a Bond representing such interest and delivery of a new Bond or Bonds in exchange therefor in accordance with this Bond Resolution.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on that Bond.

Section 3.05. Registrar. The Issuer shall be the Bond Registrar and will keep or cause to be kept by its agent at its office, sufficient books for the registration and transfer of the Bond, and upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the

transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or social security numbers of the settlor and beneficiaries of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law.

Section 3.06. Bond Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his, her or its ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bond Secured by Pledge of Revenues. The payment of the debt service of the Bond shall be secured forthwith by a parity lien with the 1990 Bond on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any supplemental resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

\$40,000

CLAY ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND (VARNEYTOWN PROJECT),
SERIES 1997

No. R-1

Date: April __, 1997

FOR VALUE RECEIVED, the CLAY ROANE PUBLIC SERVICE DISTRICT, a public service district created pursuant to the Act by orders issued by The County Commissions of Clay and Roane Counties, in Clay and Roane Counties of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government"), or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Forty Thousand and 00/100 Dollars (\$40,000), plus interest on the unpaid principal balance at the rate of four and one half percent (4.5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and \$184.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction of improvements to a water system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development, acting on behalf of the Rural Utilities Service, successor in interest to the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATER REVENUE BOND, SERIES 1990, OF THE ISSUER DESCRIBED IN THE RESOLUTION ISSUED WITH RESPECT TO SUCH SERIES.

The initial address of United States Department of Agriculture-Rural Development for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505.

IN WITNESS WHEREOF, the CLAY ROANE PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

(SEAL)

CLAY ROANE PUBLIC SERVICE DISTRICT

By: _____

Chairman
P.O. Box 40
Valley Fork, WV 25283

ATTEST:

By: _____

Secretary

(Form Of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

DATED: _____.

In the presence of:

ARTICLE IV

(RESERVED)

ARTICLE V

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

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the 1990 Resolution) and shall be held by the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the 1990 Resolution and continued hereby);
- (2) Project Construction Account;
- (3) Reserve Fund (established by the 1990 Resolution and continued hereby);
- (4) Depreciation Reserve (established by the 1990 Resolution and continued hereby); and
- (5) Sinking Fund.

Section 5.02. Bond Proceeds; Project Construction Account. All moneys received from the sale of the Bond shall be deposited upon receipt by the Issuer in the Depository Bank, a member of Federal Deposit Insurance Corporation (FDIC), in a special account hereby now established and designated as "Clay Roane Public Service District Water System Construction Account (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Until completion of the construction of the Project, the Issuer will transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

If the Issuer shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the Issuer may invest such excess funds in Qualified Investments.

Pending application as provided in this Section 5.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 5.03. Covenants of the Issuer as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bond 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 a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund, known as the "Revenue Fund" 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 subject to the provisions of Section 3.03 of the 1990 Resolution:

(1) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bond, and to amortize the principal of the Bonds over the respective lives of each Bond issue. All payments with respect to principal of and interest the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on a parity with each other. There is hereby created a sinking fund at the Depository Bank into which the Issuer shall deposit sufficient amounts from the Revenue Fund to pay the interest on the Bonds and to amortize the principal of the Bonds over the remaining respective lives of each Bond issue. As long as the Government owns the Bonds, such deposits can be replaced by the remittances described above.

(3) The Issuer shall next, on each date that payment is made as set forth in (2) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund herein created 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Bonds in any year until the amount in the

Reserve Fund equals such maximum amount (the "Reserve Requirement"). After the Reserve Fund Requirement has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Reserve Requirement. Moneys in the Reserve Fund shall be used solely to make up any deficiency in monthly payments of the principal of and interest on the Bonds as the same shall become due or for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(4) The Issuer shall next, on each date that payment is made as set forth in (2) above, transfer from the Revenue Fund and deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$99,750 as required by the 1990 Resolution, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve, other than any sum or sums required to be transferred to the Earnings Fund pursuant to Section 3.03 of the 1990 Resolution, shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom other than pursuant to Section 3.03 of the 1990 Resolution, all on a pro rata basis. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve other than any sum or sums required to be transferred to the Earnings Fund pursuant to Section 3.03 of the 1990 Resolution, may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Reserve Fund (other than moneys required to be transferred to the Earnings Fund pursuant to Section 3.03 of the 1990 Resolution) 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 Depository Bank is hereby designated as the Fiscal Agent for the administration of the Reserve Fund and the Depreciation Reserve, herein provided, and all amounts required for the Reserve Fund and the Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section and the Earnings Fund, except with respect to the Excess Investment Earnings (as defined in the 1986 Resolution) in the Earnings Fund, which shall be held for rebate to the United States free from any such lien or trust, shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon (other than such Excess Investment Earnings in the Earnings Fund and the Rebate Fund as aforesaid) for further securing payment of the Bonds and the interest thereon, but the Depository Bank shall not be a trustee as to such funds. It is to be understood that all funds in the Rebate Fund shall be held free and clear of any such lien or trust and shall only be used for the purposes set forth in the 1990 Resolution notwithstanding anything else herein to the contrary.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Subject to the 1990 Resolution, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond 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 Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account.

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

(D) User Contracts. The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be 290 bona fide users of the proposed System when the extension of the System is completed and placed in operation, and must obtain user agreements and the user contribution from each new user and deposit in the Project Construction Account all such new user contributions collected.

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

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

(G) Remittances. All remittances made by the Issuer to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

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

ARTICLE VI

GENERAL COVENANTS

Section 6.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 6.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than one hundred ten percent (110%) percent of the annual debt service on the Bonds and to make the payments required herein into the Reserve Fund and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 6.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 6.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of the revenues of the System or any part thereof shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser or the then holder of or Trustee or agent for the holder of the Bond.

Section 6.05. Insurance and Bond. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Real Property Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for all Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of one hundred percent (100%) of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of Clay County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation insurance will be maintained as required by the laws of the State of West Virginia.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and every officer and employee of the PSD having custody of the Revenue Fund or of any revenues or other funds of the System in an amount at least equal to the total annual debt service requirements for all outstanding RUS loans.

(f) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 6.06. Statutory Mortgage. For the further protection of the holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Bond.

Section 6.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment at the date specified for payment thereof and/or;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law or of this or the other Bond Resolutions.

Section 6.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights and shall have all rights prescribed by the Act, W.Va. Code and other applicable law.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The Receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 6.09. Fiscal Year; Budget. While the Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty (30) days prior to the beginning of each fiscal year, the Issuer agrees to adopt an Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each fiscal year.

If for any reason the Issuer shall not have adopted an Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of an Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance

with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 6.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 6.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 6.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer further covenants to comply with the Act with respect to such books, records and accounts.

Section 6.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bond is outstanding.

Section 6.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VII

RATES, RULES, COVENANTS, ETC.

Section 7.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth on an Order of the Public Service Commission dated September 21, 1990. in Case Number 89-564-PWD-CN, which order is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby modifies and enacts to the extent necessary the rates and charges as set out in the above-referenced order and to be included on a tariff sheet to be filed with the Public Service Commission which rates and conditions are as follows:

Availability of Service

Available for general domestic, commercial and industrial service for the entire area served.

Rates

First 3,000 gals. @ \$7.30 per 1,000 gals.
Next 3,000 gals. @ \$7.10 per 1,000 gals.
Next 4,000 gals. @ \$6.90 per 1,000 gals.
Next 10,000 gals. @ \$6.70 per 1,000 gals.

Minimum charge

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

5/8" meter	\$21.90 per month
3/4" meter	\$32.85 per month
1" meter	\$54.75 per month
1 1/2" meter	\$109.50 per month
2" meter	\$175.20 per month
3" meter	\$328.50 per month
4" meter	\$547.50 per month
6" meter	\$1,095.00 per month
8" meter	\$1,752.00 per month

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until

all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

A preconstruction connection charge of \$100 is applicable to the Varneytown extension. Once construction is completed beyond the point of service to potential customers, the connection charge for all applicants will be \$250.00.

Reconnection Charge

\$20.00

Section 7.02. Water Purchase Contract. As required by the Letter of Conditions and as authorized by the Public Service Commission, the Issuer shall enter and is authorized to enter into a Water Purchase Contract with the Town of Clay to purchase treated water.

Section 7.03. Further Covenants.

The Issuer hereby further covenants and agrees as follows:

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

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

E. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Defeasance of Bond. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Resolution, then with respect to the Bond, the pledge of Net Revenues and other moneys and securities pledged under this Bond Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.02. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the offices of the Secretary of State of West Virginia and of the Clerk of the County Commission of Clay County.

Section 8.03. Delivery of Bond. The Chairman and Secretary of the Governing Body are hereby authorized and directed to cause the Series 1997 Bond, numbered R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 8.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 8.05. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 8.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 8.07. Modification or Amendment. The Bond Resolution may not be modified or amended in any material manner after final passage without the prior written consent of the Purchaser and/or holder of the Bond.

Section 8.08. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this

Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 8.09. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Resolution.

Section 8.10. Effective Time. This Resolution shall take effect immediately upon its adoption.

Section 8.11 Statutory Notice of Meeting and Bond Issue. Notice of the date, time and place at which the Governing Body of the Issuer considered this Resolution for adoption was given at least ten (10) days in advance thereof by Class I legal advertisement in the Clay Free Press and The Times Record, newspapers of general circulation in the area served by the Issuer.

CLAY ROANE PUBLIC SERVICE DISTRICT

By: [Signature]

Chairman

[SEAL]

Attest:

By: [Signature]

Secretary

CERTIFICATION

I, Paul Rogers, Secretary of the Clay Roane Public Service District, hereby certify that the foregoing is a true and correct copy of an Resolution approved at a meeting of the Public Service Board of the Clay Roane Public Service District held on April 4, 1997. I further hereby certify that the action of said Public Service Board set forth therein remains in full force and effect and has not been amended or repealed.

WITNESS my signature on this 4th day of April, 1997.

Paul Rogers
Secretary

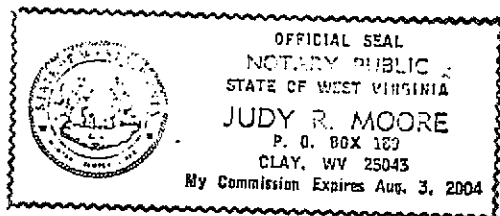
STATE OF WEST VIRGINIA,

COUNTY OF CLAY, to-wit:

The foregoing instrument was acknowledged before me this 4th day of April, 1997, by T.G. Cruikshank, the Chairman of the Clay Roane Public Service District, a public service district created pursuant to the Act by an order issued by The County Commission of Clay County, on behalf of said public service district.

My commission expires

Aug. 3, 2004



Judy R. Moore
NOTARY PUBLIC

PROCIIOUS PUBLIC SERVICE DISTRICT

Water Revenue Bond, Series 1982

BOND RESOLUTION

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PROCIOUS PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE WATER REVENUE BOND, SERIES 1982, IN THE PRINCIPAL AMOUNT OF NOT IN EXCESS OF \$192,000 OF THE PROCIOUS PUBLIC SERVICE DISTRICT TO FINANCE THE COST, NOT OTHERWISE PROVIDED, OF CONSTRUCTION OF A NEW WATERWORKS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF SAID BOND; PROVIDING GENERALLY FOR THE RIGHTS, REMEDIES AND SECURITIES OF THE HOLDER OF SAID BOND AND FOR A STATUTORY MORTGAGE LIEN UPON THE WATERWORKS IN FAVOR OF THE HOLDER OF SAID BOND; ADOPTING OTHER PROVISIONS RELATING TO SAID BOND; ESTABLISHING RATES AND CHARGES FOR SAID WATERWORKS AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF THE PROCIOUS 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 text otherwise expressly requires:

"Act" means Article 13A, Chapter 16, of the Code of West Virginia, 1931, as amended.

"Board" means the Public Service Board of the Procious Public Service District, the governing body of said District under the Act, and any successors to the functions thereof.

"Bond" or Bonds" means the Water Revenue Bond, Series 1982, originally authorized to be issued pursuant to this Resolution in the principal amount of not in excess of \$192,000, and shall also be deemed to include, where appropriate, any additional parity Bonds issued pursuant to this Resolution.

"Certified Public Accountant not in the regular employ of the District" means Krisher and Krisher, certified public accountants, Charleston, West Virginia, or any other certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Procious Public Service District to prepare an independent annual or special

audit of the accounts of said District or for any other purpose except keeping the accounts of said District in the normal operation of its business and affairs.

"Chairman" means the Chairman of the Board.

"Consulting Engineer" means Milam/BCM Engineering, Inc., Dunbar, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineer for the System.

"District" means Precious Public Service District, of Clay County, West Virginia, and, where appropriate, also means the Board thereof.

"Facilities" or "waterworks facilities" means all the facilities of the System and also any facilities which may hereafter be added to the System by any additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"Government" means the United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

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

"Herein" means in this Resolution.

"Holder of the Bond" or "Bondholder" or any similar terms mean any person who shall be the bearer or owner of any outstanding Bond registered to bearer or not registered, or the registered owner of any outstanding Bond which shall at the time be registered other than to the bearer, or the bearer or owner of any coupons representing interest accrued or to accrue on said Bond.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the District relating and chargeable solely to the System, as hereinafter defined, the accumulation of

appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, and retention of a sum not to exceed one-sixth (1/6) of the budgeted operating expenses stated above for the current year as working capital, and language herein requiring payment of operating expenses means also retention of not to exceed such sum as working capital.

"Original Purchaser" means the purchaser, directly from the District, of the Water Revenue Bond, Series 1982, originally authorized to be issued pursuant to this Resolution in the principal amount of not in excess of \$192,000, or of any part of such Bond.

"Project" shall have the meaning stated in Section 1.03(B) hereof and as described in Exhibit A.

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the District, or accrued to the District, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Board.

"Series 1982 Bond" means the Water Revenue Bond, Series 1982, originally authorized to be issued pursuant to this Resolution in the principal amount of not in excess of \$192,000.

"System" means the complete waterworks system of the District consisting originally of the Project, including all water facilities owned by the District and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the System after completion of the Project.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

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.

Section 1.02. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of the Act and

other applicable provisions of law. The District is a public service district created pursuant to the Act by The County Commission of Clay County, West Virginia.

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

(A) The District does not now have a public water-works system.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the District, and, accordingly, it is hereby ordered, that there be constructed and acquired a new water-works system of the District consisting of transmission and distribution lines, with all necessary appurtenant facilities, particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary.

(C) It is necessary for the District to issue its Series 1982 Bond in the principal amount of not in excess of \$192,000 to finance in part the costs of acquisition and construction of the Project in the manner hereinafter provided.

(D) The estimated maximum cost of the acquisition and the construction of the Project is \$1,698,000, of which \$192,000 will be obtained from the proceeds of sale of the Series 1982 Bond; \$856,000 will be obtained from a grant from the Government; \$488,900 will be obtained from a grant from the Appalachian Regional Commission; \$85,000 will be obtained from a grant from The County Commission of Clay County; and \$76,100 will be obtained from a grant from the West Virginia Housing Development Fund.

(E) The cost of the Project shall be deemed to include, without being limited to, the cost of acquisition or construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Series 1982 Bond prior to, during and for six months after completion of construction and acquisition of the Project; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project; administrative expense; and such other expenses as may be necessary or incident to the financing authorized by this Resolution, the construction or acquisition of the Project or the placing of the same in operation.

(F) The period of usefulness of the System after completion of the Project will not be less than forty (40) years.

(G) There are not outstanding any obligations of the District which will rank superior to or on a parity with the Series 1982 Bond as to lien and source of and security for payment.

(H) The District has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Series 1982 Bond, or will have so complied prior to issuance of the Series 1982 Bond, including, among other things, the consent and approval, pursuant to the Act, of the issuance of the Series 1982 Bond by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.04. Resolution To Constitute Contract. In consideration of the acceptance of the Series 1982 Bond by the Government, this Resolution shall be deemed to be and shall constitute a contract between the District and such Bondholder, and the covenants and agreements set forth in this Resolution to be performed by the District shall be for the benefit, protection and security of the legal holders of all the Bonds, all of which shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided herein.

ARTICLE II

AUTHORIZATION OF THE PROJECT

Section 2.01. Authorization of the Project. There is hereby authorized the construction and acquisition of the Project described in Exhibit A hereto, plans and specifications for which have been prepared by the Consulting Engineer and heretofore filed in the office of the Secretary.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUANCE OF SERIES 1982 BOND

Section 3.01. Authorization of Series 1982 Bond. Subject and pursuant to the provisions of this Resolution, the Bond of the District, to be known as "Water Revenue Bond, Series 1982," is hereby authorized to be issued in the aggregate principal amount of not exceeding One Hundred Ninety-Two Thousand Dollars (\$192,000) for the purpose of financing a part of the cost of the construction and acquisition of the Project.

Section 3.02. Description of Series 1982 Bond. The Series 1982 Bond shall be issued in single form, designated as No. R-1, and shall be dated on the date of delivery. The Series 1982 Bond shall bear interest from date, payable monthly at the rate of five percent (5%) per annum, and shall be sold for the par value thereof. If the Government is the Original Purchaser of the Series 1982 Bond, the aggregate principal amount of the Series 1982 Bond need not be paid to the District upon delivery to the Government of the Series 1982 Bond, but may be advanced to the District as requested by the District and approved by the Government; provided, however, that the Series 1982 Bond shall evidence only the indebtedness recorded on the Record of Advances incorporated in the Series 1982 Bond, and interest shall accrue only on the amount of each advance from the actual date thereof as listed in said Record of Advances.

The Series 1982 Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District, and shall be payable as provided in the Bond form hereinafter set forth. The Series 1982 Bond shall be subject to mandatory prepayment of scheduled installments, or any portion thereof, if, at any time the Government is the Holder thereof, it shall appear to the Government that the District is able to refinance the Series 1982 Bond by obtaining a loan for such purpose from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time and if the Government shall request the District to refinance the principal amount of the Series 1982 Bond outstanding, in whole or in part. The Series 1982 Bond shall further be subject to mandatory prepayment of scheduled installments if the Government shall exercise its option to accelerate payment upon an Event of Default, as provided in Section 5.09 of this Resolution.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the District by the Chairman, and the corporate seal shall be affixed thereto or imprinted thereon and attested by the Secretary. The Bonds may be signed and

sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability and Registration. The Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of West Virginia. The Series 1982 Bond originally issued pursuant hereto shall be fully registered to the Government, and the Secretary is hereby appointed registrar for the Series 1982 Bond.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may require. The Bond so surrendered shall be cancelled and held for the account of the District. If the Bond shall have matured or be about to mature the District may, instead of issuing a substitute Bond, pay the same, upon being indemnified as aforesaid, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bond issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the District, whether or not the destroyed, stolen or lost Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits with all other Bonds issued pursuant to this Resolution.

Section 3.06. Form of Series 1982 Bond. Subject to the provisions of this Resolution, the text of the Series 1982 Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this Resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Series 1982 Bond)

PROCIUS PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1982

\$192,000

No. R-1

Date: _____

FOR VALUE RECEIVED, PROCIUS PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of One Hundred Ninety-Two Thousand Dollars (\$192,000), or such lesser amount reflected in the Record of Advances herein, plus interest on the unpaid principal balance at the rate of five per cent (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only on the first day of each month for the first twenty-four months after the date hereof and, assuming the stated principal amount has then been advanced, as reflected in the Record of Advances herein, \$943.00, covering principal and interest, thereafter on the first day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as hereinafter listed.

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

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

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

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

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

This Bond is issued for the purpose of financing a part of the cost of construction and acquisition of a water-works system of the Borrower (together with any improvements and extensions thereto, the "System"). Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its area for loans for similar purposes and periods of time.

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a reasonable cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of improvements and extensions to the

System, is payable solely from the revenues to be derived from the operation of such System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitations.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1974. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof. All provisions of the resolution authorizing the issuance of this Bond and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

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

IN WITNESS WHEREOF, the said Precious Public Service District, Clay County, West Virginia, has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereunto affixed and attested by the Secretary of its Public Service Board, all as of the date first above written.

PROCIUS PUBLIC SERVICE DISTRICT
(Name of Borrower)

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 316
(Post Office Box No. or Street
Address)

Clendenin, West Virginia 25045
(City, State and Zip Code)

[CORPORATE SEAL]

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

RECORD OF ADVANCES

	<u>AMOUNT</u>	<u>DATE</u>	<u>AUTHORIZING OFFICER</u>
(1)	\$		
(2)	\$		
(3)	\$		
(4)	\$		
(5)	\$		
(6)	\$		
(7)	\$		
(8)	\$		
(9)	\$		
(10)	\$		

TOTAL _____

Pay to the Order of _____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____

(Title)

ARTICLE IV

SERIES 1982 BOND PROCEEDS, REVENUES AND APPLICATION THEREOF

Section 4.01. Series 1982 Bond Proceeds; Project Construction Account. All moneys received from the sale of the Series 1982 Bond shall be deposited on receipt by the District in the Clay County Bank, of Clay, West Virginia (herein called the "Bank"), a member of the Federal Deposit Insurance Corporation (herein called "FDIC"), in a special account hereby created and designated as "Precious Public Service District Construction Account" (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such Bank by Government Obligations. The Project Construction Account shall constitute a trust fund, and moneys in the Project Construction Account shall be expended by the District solely for the purposes provided in this Resolution; provided, however, that payment of interim financing used for such purposes shall be considered as use for such purposes. Expenditures or disbursements from the Project Construction Account, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Series 1982 Bond shall be made only after such expenditures or disbursements shall have been approved in writing by the Consulting Engineer.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and deposit in the Sinking Fund, not later than fifteen days prior to the next interest payment date, such sums as shall be from time to time required to pay the interest becoming due on the Series 1982 Bond on such interest payment date if moneys in the Sinking Fund are insufficient for such purpose.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the District may invest such excess funds in Government Obligations which shall mature not later than eighteen (18) months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall first be used to refund promptly any overpayment made with respect to any federal grants, and any moneys then remaining in the Project Construction Account shall be promptly used to prepay installments of the Series 1982 Bond

or a portion thereof, and any residue shall be deposited in the Sinking Fund.

Section 4.02. Covenants of the District as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Account hereinafter established a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 1982 Bond, or such lesser amount reflected in the Record of Advances therein, and any additional parity Bonds remaining unpaid, together with interest accrued and to accrue thereon, the District further covenants with the Holders of the Bonds as follows:

(A) Revenue Fund. The entire Gross Revenues derived from the operation of the System, and all parts thereof, shall be deposited as collected by the District in a special fund, known as the "Precious Public Service District Revenue Fund" (herein called the "Revenue Fund"), which is hereby established with the Bank. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this Resolution.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The District shall first each month set aside in the Operation and Maintenance Fund hereby established with the Bank such sum as the Board shall determine, in accordance with its budget, to be necessary for Operating Expenses.

(2) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and pay to the office and place designated in the Bond (herein called the "Sinking Fund") the amount as set forth in the Bond required to pay the interest on the Bond and to amortize the principal of the Bond over the life of the Bond issue.

(3) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit with the Bank in a Reserve Fund hereby established with said Bank, one-twelfth (1/12) of one-tenth (1/10) of the maximum amount of principal and interest becoming due on the Bond in any Fiscal Year until the amount in the Reserve Fund equals such maximum amount. After such maximum amount has been accumulated in the Reserve Fund, the District shall monthly deposit in the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of Operating Expenses of the System and for payment of maturing principal of and interest on the Bond, as shall be required to maintain such maximum amount

in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bond as the same shall become due or for prepayment of installments or for mandatory redemption of Bonds of all series as hereinafter provided, and for no other purpose.

(4) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit in the Replacement Fund hereby established with the Bank, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Replacement Fund the aggregate sum of \$35,000 and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Replacement Fund shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Replacement Fund may be withdrawn by the District and used for repairs, replacements of equipment and improvements of the System, or any part thereof.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein may be used to prepay installments of the Bond outstanding, or for any lawful purpose.

Whenever the moneys in the Reserve Fund shall be sufficient to prepay the unpaid principal of the Bond outstanding, it shall be the mandatory duty of the District, anything to the contrary in this Resolution notwithstanding, to direct the Bank to pay the unpaid principal amount of the Bond at the earliest practical date and in accordance with applicable provisions hereof, including interest accrued and to accrue to the date of prepayment.

The aforesaid Bank (and any successor appointed by the District) is hereby designated as the fiscal agent (herein called the "Fiscal Agent") for the administration of the Reserve Fund and the Replacement Fund as herein provided, and all amounts required therefor will be deposited by the District upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and, until so used, the Bondholder shall have a lien thereon for further securing payment of the Bond and the interest thereon. The moneys in excess of the sum insured by FDIC in any of such funds shall at all times be secured, to the full extent thereof in excess of

such insured sum, in a manner lawful for securing deposits of state and municipal funds under the laws of the State of West Virginia.

If on any payment date the revenues are insufficient to place the required amount in any of the funds or accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to those which would otherwise be required to be made into the funds or accounts on the subsequent payment dates.

The Fiscal Agent shall keep the moneys in the Reserve Fund and the Replacement Fund invested and reinvested to the fullest extent practicable in Government Obligations having maturities not exceeding two years. Earnings upon moneys in the Reserve Fund, so long as the maximum amount required to be accumulated therein is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Fiscal Agent.

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

(D) User Contracts. The District shall, prior to delivery of the Series 1982 Bond, obtain user agreements from not less than 134 users in the area to be served by the Project, and shall collect not less than \$6,700 based on a user contribution of \$50.

ARTICLE V

GENERAL COVENANTS

Section 5.01. General Statement. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to pay when due, or redeem or purchase prior to maturity, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon and any applicable redemption premiums, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the District and the Bondholders.

Section 5.02. Rates. The District will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the average annual debt service on the Bonds outstanding and to make the payments required herein for principal of and interest on the Bonds and into the Reserve Fund and the Replacement Fund during such Fiscal Year; and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 5.03. Sale of the System. The System may be sold, mortgaged, leased, or otherwise disposed of only with written consent of the Government, and such consent will specify the disposition of the proceeds of any such sale or transfer, as shall be allowable under the Act.

Section 5.04. Covenant Against Encumbrances. The District will not issue any obligations whatsoever, except additional parity Bonds hereinafter provided for, payable from the revenues of the System which rank prior to or equally as to lien on and source of and security for payment from such revenues with the Bonds; and all obligations hereafter issued by the District payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from revenues, and in all other respects, to the Bonds.

Section 5.05. Issuance of Additional Parity Bonds. No additional parity Bonds, as in this section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution.

(A) No such additional parity Bonds shall be issued except for the purposes of financing the costs of the construction or acquisition of extensions, additions and improvements

to the System or refunding Bonds issued hereunder, except as provided in subsection (F) of this section.

(B) No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written certification by a Certified Public Accountant not in the regular employ of the District, based upon the necessary investigation, reciting the conclusion that the Net Revenues actually derived from the System during the Fiscal Year immediately preceding the date of the issuance of such additional parity Bonds shall have been not less than one hundred twenty percent (120%) of the average aggregate amount which will mature or become due in any succeeding Fiscal Year for principal of and interest on the Series 1982 Bond then outstanding, and on any additional parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then outstanding and on the additional parity Bonds then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing seventy-five percent (75%) of each series of the then outstanding Bonds issued pursuant hereto.

(C) Prior to or simultaneously with the issuance of any such additional parity Bonds, the District shall have entered into written contracts for the immediate acquisition or construction of such additions, extensions or improvements to the System which are to be financed by such additional parity Bonds.

(D) The term "additional parity Bonds," as used in this section, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section, payable from the Net Revenues of the System on a parity with the Series 1982 Bond or with Bonds which were issued pursuant to this section as additional parity Bonds, and all the covenants and other provisions of this Resolution (except as to details of such additional parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holder of the Series 1982 Bond and the Holders of any additional parity Bonds subsequently issued within the limitations of and in compliance with this section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from said revenues, without preference of any Bond or coupon over any other. The District shall comply fully with all the increased payments into the various funds created in this Resolution required for such additional parity Bonds, in addition to the payments required for Bonds theretofore issued hereunder. Redemption of Bonds prior to maturity, in the event that Bonds of more than one series are outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each series.

(E) No additional parity Bonds shall be issued at any time unless all the payments into the respective funds provided for in this Resolution on Bonds then outstanding and all other payments provided for in this Resolution shall have been made or paid up as required to the date of issuance of the additional parity Bonds and the District shall have fully complied with all the covenants, agreements and terms of this Resolution or shall have remedied any deficiency in such compliance.

(F) Anything to the contrary in subsections (A), (B) and (C) of this section notwithstanding, additional parity Bonds may be authorized and issued by the District pursuant to supplemental resolution in the event that the Series 1982 Bond should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Project. Any such additional parity Bonds authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such additional parity Bonds shall be in years and amounts suggested by the Original Purchaser.

Section 5.06. Insurance and Bonds. The District hereby covenants and agrees that so long as any of the Bonds remain outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, on all above-ground structures of the System in an amount equal to the actual cost thereof. In the event of any damage to or destruction of any portion of the System, the District will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The District will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the District during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than \$500,000 for personal liability to protect the District from claims for bodily injury and/or death, and not less than \$200,000 from claims for damages to property of others which may arise from the District's operation of the System, such insurance to be procured at the commencement of construction of the Project.

(c) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District,

with limits of not less than \$500,000 for personal liability to protect the District from claims for bodily injury and/or death, and not less than \$200,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(d) Workmen's Compensation Coverage will be required for all employees of the District eligible therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of The County Commission of Clay County prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39, of the Code of West Virginia, 1931, as amended.

(e) Fidelity Bonds shall be provided as to every member of the Board and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the District in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$20,000 and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(f) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as the Government holds any of the Bonds, the District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District and during such construction will require each contractor and subcontractor to carry insurance of such types and in such amount as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 5.07. Statutory Mortgage. For the further protection of the Holders of the Bonds and the coupons appertaining thereto, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of any of the Bonds.

Section 5.08. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of the principal of, and, if any premium be due, of such premium on, any of the Bonds either at the date therein specified for their payment, or on the date fixed for redemption by proceedings for redemption, or otherwise;

(B) Failure to make payment of any installment of interest due on any of the Bonds on the date specified for the payment of such interest;

(C) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the District contained in the Bonds or in this Resolution, or violation of or failure to observe any provision of any pertinent law, provided any such failure or violation, excluding those covered in (A) and (B) above in this section, shall continue for a period of thirty (30) days after written notice shall have been given to the District by any Bondholder specifying such failure or violation and requiring the same to be remedied; provided, however, a default under any other agreement which the District has with the Government shall constitute an Event of Default hereunder.

Section 5.09. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, if the Government is the Holder of any of the Bonds outstanding, the Government may, at its option, declare the entire principal amount of the Bonds held by it then outstanding, and any interest accrued thereon, immediately due and payable. Upon the happening of any Event of Default specified above, then, and in every such case, any Bondholder may proceed to protect and enforce the rights of the Bondholders by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by such Bondholder, such court may, upon proof of such default, appoint a receiver for the affairs of the District and the System. The receiver so appointed shall administer the System on behalf of the District, shall exercise all the rights and powers of the District with respect to its System and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.10. Fiscal Year; Budget. While any Bonds are outstanding and unpaid and to the extent not prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty (30) days prior to the beginning of each Fiscal Year, the District agrees to adopt the annual budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Board. Copies of each annual

budget shall be delivered to the Government by the beginning of each Fiscal Year.

If for any reason the District shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the adoption of the annual budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a budget of current expenses shall not constitute compliance with the covenant to adopt an annual budget unless failure to adopt an annual budget be for a reason beyond the control of the District. Each such budget of current expenses shall be mailed immediately as in the case of the annual budget.

Section 5.11. Compensation of Board Members. The District hereby covenants and agrees that no compensation for policy direction shall be paid to the members of its Board in excess of the amount permitted by the Act. Payment of any compensation to any member of the Board for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision of this Resolution.

Section 5.12. Covenant to Proceed. The District hereby covenants to proceed as promptly as possible with the construction of the Project in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary of the Board.

Section 5.13. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds, his agents and representatives, shall have the right at all reasonable times to inspect the System and all records, accounts and data of the District relating thereto.

The District shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants, shall mail a copy of such audit report to the Government and the original purchaser of the Bonds, and shall make available the report of said accountants at all reasonable times to any Holder or Holders of the Bonds, or any customer receiving services from the System, or anyone acting for and in behalf of such Bondholder, Bondholders or customer.

Section 5.14. Maintenance of System. The District covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a

revenue-producing utility as herein provided so long as any of the Bonds are outstanding.

Section 5.15. No Competition. The District will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to, or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the District or within the territory served by the System.

Section 5.16. Concerning Arbitrage. The District specifically covenants that the proceeds of sale of the Series 1982 Bond will not be invested in such a way as to violate the operating rules in the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(c) of the Internal Revenue Code of 1954, as amended. The Fiscal Agent is hereby expressly instructed not to violate such rules in investing such proceeds.

Section 5.17. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinbefore provided. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds, and to make other payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 5.18. Bonds Not To Be Indebtedness. Neither the Bonds nor coupons appertaining thereto shall be or constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the Net Revenues of the System and the proceeds of the Bonds, all as more expressly herein provided. No Holder or Holders of any Bonds issued hereunder, or of any coupon appertaining thereto, shall ever have the right to compel the exercise of the taxing power, if any, of the District to pay said Bonds or the interest thereon.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. (A) The initial schedule of rates and charges for the services and facilities of the System, applicable in the entire territory served, shall be as follows:

AVAILABILITY OF SERVICE

Available for general domestic, commercial, and industrial service.

RATE

First 3,000 gallons used per month	\$ 6.50 per 1,000 gallons
Next 3,000 gallons used per month	6.30 per 1,000 gallons
Next 4,000 gallons used per month	6.10 per 1,000 gallons
Next 10,000 gallons used per month	5.90 per 1,000 gallons
Over 20,000 gallons used per month	5.70 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8 inch meter	\$ 19.50 per month
3/4 inch meter	29.25 per month
1 - inch meter	48.75 per month
1-1/2 inch meter	97.50 per month
2 - inch meter	156.00 per month
3 - inch meter	292.00 per month
4 - inch meter	487.50 per month
6 - inch meter	975.00 per month

(minimum monthly bill \$19.50 for 3,000 gallons)

DELAYED PAYMENT PENALTY

The above tariff is net. Any account not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to the amount due. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

CONNECTION CHARGE

Prior to award of construction contract - \$50.
Subsequent to award of construction contract - there shall be a charge for connection to the System of One Hundred and Fifty Dollars (\$150.00).

RECONNECTION CHARGE

Ten Dollars (\$10.00).

(B) Except as otherwise required by governmental regulation, there shall not be any discrimination or differential in rates between customers in similar circumstance.

(C) All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. When such fees, rates and charges have been delinquent for thirty days, the District shall have power forthwith to foreclose the lien on the premises served in the same manner provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property, subject to any limitations prescribed by the Act.

(D) The District will not render or cause to be rendered any free service of any nature by the System nor any of the facilities; and in the event that the District or any department, agency, officer or employee thereof should avail itself or himself of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other revenues of the System.

(E) The District may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

(F) No allowance or adjustment in any bill for use of the service and facilities of the System shall be made for any leakage occurring on the customer's side of any water meter.

(G) The District shall not be liable to any customer for any damage resulting from bursting or breakage of any line, main, pipe, valve, equipment or part or from discontinuance of the operation of any part of the System or from failure of any part thereof for any cause whatsoever.

(H) In case of emergency, the District shall have the right to restrict the use of any part of the System in any reasonable manner for the protection of the System and the inhabitants of the District.

(I) The fees, rates and charges above provided will be increased whenever such increase is necessary in order to

comply fully with all provisions of this Resolution, and the District shall always be obligated to and shall fix, establish and collect fees, rates and charges for the services and facilities of the System which shall at all times be sufficient to provide Net Revenues to meet its obligations hereunder, but never less than 110% of the average annual debt service on all Bonds outstanding.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Delivery of Bond No. R-1. The Chairman, Secretary and Treasurer of the Board are hereby authorized and directed to cause Bond No. R-1, representing all the Series 1982 Bond issue, hereby awarded to the Government pursuant to agreement, to be delivered to the Government as soon as the Government will accept such delivery and pay for Bond No. R-1; provided, however, that the Government may, rather than pay the entire principal amount of the Series 1982 Bond to the District upon delivery of the Series 1982 Bond to the Government, advance such amounts as may from time to time be requested by the District and approved by the Government; provided, further, however, that Bond No. R-1 shall evidence only the indebtedness recorded on the Record of Advances incorporated therein and that interest shall accrue only on the amount of each advance from the actual date thereof as listed on said Record of Advances.

Section 7.02. Modification or Amendment. No material modification or amendment of this Resolution, or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the Holders of two-thirds (2/3) or more in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of any of the Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation, or affecting the unconditional promise of the District to pay the principal of and interest on the Bonds as the same shall become due from the Net Revenues of the System, without the consent of the Holders of such Bonds. Notwithstanding the above, no amendment or modification shall be made without the unanimous consent of the Bondholders which would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications or the seventy-five (75) percentage required for consent to a waiver or modification of the limitation upon issuance of additional parity bonds contained in Section 5.05(B).

Section 7.03. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Bonds and coupons the principal thereof, and redemption premium, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the District to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or coupons for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the paying agent at the same or earlier time, shall be sufficient, to pay, as and when due, the principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds and all coupons appertaining to such Bonds shall prior to the maturity or prepayment or redemption 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 irrevocably in trust with the 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 irrevocably in trust with the Bank at the same time, shall be sufficient, to pay when due the principal of and redemption premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption or prepayment date or maturity date thereof, as the case may be, and, in the event said Bonds are not by their terms subject to redemption or prepayment or are not to be redeemed or prepaid within the next succeeding sixty (60) days, the District shall have published, or shall have made arrangements satisfactory to the Bank to publish, as soon as practicable, a notice to the holders of such Bonds and coupons that the deposit required above has been made with the Bank and that said Bonds and coupons are deemed to have been paid in accordance with this section and stating such maturity or redemption or prepayment date upon which moneys are to be available for the payment of the principal of, interest on, and redemption premium, if applicable, on said Bonds. Neither securities nor moneys deposited with the 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 principal of and redemption premium, if applicable, on and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the 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 redemption premium, if applicable, on and interest to become due on said Bonds on and prior to such redemption or prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Bank, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 7.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of

this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this Resolution or the Bonds or coupons appertaining thereto.

Section 7.05. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflicts, hereby repealed; provided, however, any loan resolution, or part thereof, adopted by the District on Form FmHA 442-47 shall not be repealed hereby.

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

Adopted September 24, 1982.


Chairman of Public Service Board


Member


Member

EXHIBIT A

The Project consists of approximately ten and one-half (10-1/2) miles of water distribution line, two 5,000-gallon storage tanks, one pressure reducer, one 30-gallon per minute booster station and one 80-gallon per minute treatment plant. Raw water will be taken from the Elk River into the plant, where it will be treated, filtered and pumped into the System.



UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL DEVELOPMENT

75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • fax 304.284.4893 • TTY/TDD 304.284.4836

CLAY ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUNDS) AND
SERIES 2004 B (UNITED STATE DEPARTMENT OF AGRICULTURE)

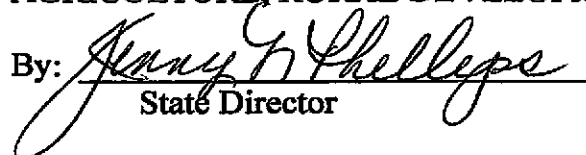
CONSENT TO ISSUANCE OF PARITY BONDS

The undersigned duly authorized representative of the United States of America, acting through the United States Department of Agriculture, Rural Development, the registered owner of the Prior Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), in the original aggregate principal amount of \$1,000,000, and Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), in the original aggregate principal amount of \$360,000 (collectively, the "Series 2004 Bonds"), by Clay Roane Public Service District (the "Issuer"), under the terms of the resolutions authorizing the Series 2004 Bonds (collectively, the "Resolution"), on a parity as to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bond, Series 1990, and Water Revenue Bond (Varneytown Project), Series 1997, and Water Revenue Bond, Series 1982, issued by the Precious Public Service District and assumed by the Issuer in connection with its acquisition of Precious Public Service District (collectively, the "Prior Bonds"); (ii) waives any requirements imposed by the Prior Bonds or the resolutions authorizing the Prior Bonds (the "Prior Resolutions"), regarding the issuance of parity bonds which are not met by the Series 2004 Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolutions by the Resolution.

WITNESS my signature on this 12th day of November, 2004.

UNITED STATES OF AMERICA,
UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL DEVELOPMENT

By:


State Director

[Http://www.rurdev.usda.gov/wv](http://www.rurdev.usda.gov/wv)



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Complaints of discrimination should be sent to: USDA Director, Office of Civil Rights, Washington, D.C. 20250-9410

COMMITTED TO THE FUTURE OF RURAL COMMUNITIES

**CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)**

GENERAL CERTIFICATE ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES AND DELIVERY
6. PUBLIC SERVICE COMMISSION ORDER
7. RATES
8. INCUMBENCY AND OFFICIAL NAME
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS
11. INSURANCE
12. LOAN AGREEMENT
13. SPECIMEN BOND
14. BOND PROCEEDS
15. CONFLICTS OF INTEREST
16. VERIFICATION OF SCHEDULE
17. PROCUREMENT OF ENGINEERING SERVICES
18. USERS
19. WETLANDS COVENANT
20. GRANTS
21. COUNTERPARTS

We, the undersigned CHAIRPERSON and the undersigned SECRETARY of the Public Service Board of Clay-Roane Public Service District (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the Clay-Roane Public Service District Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Series 2004 B (United States Department of Agriculture), dated the date hereof (collectively, the "Series 2004 Bonds" or the "Bonds" or individually, the "Series 2004 A Bonds" and the "Series 2004 B Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning set forth in the Bond Resolution duly adopted by the Issuer on October 14, 2004, the Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Resolution"), the loan agreement for the Series 2004 A Bonds by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated November 12, 2004 (the "Loan Agreement"), and the Letter of Conditions for the Series 2004 B Bonds from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), to the Issuer, dated

February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions, dated August 18, 1997, and Amendment No. 2 to Letter of Conditions, dated August 5, 2004 (collectively, the "Letter of Conditions").

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the authorization, issuance, sale and delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds; nor affecting the validity of the Bonds or any provisions made or authorized for the payment thereof; nor questioning the existence of the Issuer or the title of the members or officers of the Issuer or the Board thereof to their respective offices; nor questioning any proceedings of the Issuer taken with respect to the authorization, issuance, sale or delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable approvals, permits, exemptions, consents, authorizations, registrations, licenses, orders and certificates required by law for the creation and existence of the Issuer, the acquisition and construction of the Project, the operation of the System, the imposition of rates and charges and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited by the Issuer in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia, 1931, as amended, which bids remain in full force and effect.

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

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2004 Bonds as to liens, pledge, source of and security for payment, being (1) the Water Revenue Bond, Series 1990 of the Issuer, dated November 5, 1990 (the "1990 Bond"), issued in the original principal amount of \$450,000, (2) the Water Revenue Bond (Varneytown Project), Series 1997 of the Issuer, dated April 4, 1997 (the "1997 Bond"), issued in the original principal amount of \$40,000, and (3) the Water Revenue Bond, Series 1982 of the Precious Public Service District, dated September 24, 1982 (the "1982 Bond") issued in the original principal amount of \$192,000 and heretofore assumed by the Issuer in connection with its acquisition of Precious Public Service District (collectively, the "Prior Bonds").

The Series 2004 Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has

obtained (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Registered Owners of the Prior Bonds to the issuance of the Series 2004 Bonds on a parity with the Prior Bonds. Following the refunding of the Series 2001 A Bond and other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

5. **SIGNATURES AND DELIVERY:** The undersigned Chairperson and Secretary are the duly elected or appointed, qualified and acting officers of the Issuer as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer. The seal impressed upon the Bonds and this Certificate is the duly authorized, proper and only seal of the Issuer. On the date hereof, the undersigned Chairperson did officially sign all of the Bonds, consisting upon original issuance of a single Bond for each series, dated the date hereof, by his or her manual signature; the undersigned Secretary did officially cause the seal of the Issuer to be affixed upon the Bonds and to be attested by his or her manual signature; the Registrar did officially authenticate and deliver the Series 2004 A Bonds to a representative of the Authority as the original purchaser of such Bonds under the Loan Agreement; and the Chairperson did deliver the Series 2004 B Bonds to a representative of the Government as the original purchaser of such Bonds.

6. **PUBLIC SERVICE COMMISSION ORDER:** The Issuer has received the orders of the Public Service Commission of West Virginia (the "PSC") entered on March 13, 2002, and October 13, 2004, in Case No. 00-1303-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the PSC order entered March 13, 2002, has expired prior to the date hereof without any appeal having been filed. The time for appeal of the PSC order entered October 13, 2004, has not expired on the date hereof. However, the parties to such order have stated that they do not intend to appeal such order. The Issuer hereby certifies that it will not appeal such order. All such orders remain in full force and effect.

The Issuer has duly published the required notice with respect to, among other things, the amount of the Bonds to be issued, the interest rate and terms of the Bonds, the Project to be acquired or constructed, the cost of the Project, the anticipated user rates and charges and the date that a formal application for a certificate of public convenience and necessity is to be filed with the PSC in accordance with Chapter 16, Article 13A, Section 25 of the Code of West Virginia, 1931, as amended.

7. **RATES:** The rates for the System, as approved by the PSC on September 26, 2002, in Case No. 02-0038-PWD-19A, are in full force and effect.

8. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the Issuer is "Clay-Roane Public Service District," and it is a public service district organized and existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia in Clay and Roane Counties of said State. The governing body of the Issuer is its Board,

consisting of five members, whose names and dates of commencement and termination of their current terms are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Melissa Postelwait	October 1, 2003	October 1, 2009
Gary Whaling	June 26, 2001	June 30, 2007
Glen Sutton	May 20, 2002	October 1, 2005
David Saulsgiver	October 1, 2003	October 1, 2009
Susan Beard	April 15, 2004	March 31, 2010

The duly elected or appointed officers of the Board for 2004 are as follows:

Melissa Postelwait	-	Chairperson
Crystal McKinney	-	Secretary/Treasurer

The duly appointed and acting attorney for the Issuer is Thomas N. Whittier, Esquire, of Spencer, West Virginia.

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

10. MEETINGS: All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and the acquisition, construction, operation and financing of the Project or the System were authorized or adopted at meetings of the Board duly and regularly or specifically called and held pursuant to all applicable statutes and the rules of procedure of the Board, and a quorum of duly appointed, qualified and acting members of the Board was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

11. INSURANCE: The Issuer will maintain or, as appropriate, will require all contractors to maintain worker's compensation, public liability insurance, and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Resolution, the Loan Agreement and the Letter of Conditions. All insurance for the System required by the Resolution, the Loan

Agreement and the Letter of Conditions are in full force and effect.

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

13. **SPECIMEN BOND:** Attached hereto as Exhibit A are specimens of the Bonds which, except as to execution and authentication, are identical in all respects with the Bonds this day delivered to the Authority and the Government and being substantially in the form prescribed in the Resolution.

14. **BOND PROCEEDS:** On the date hereof, the Issuer received (a) \$331,602 from the Authority and the Council, being a portion of the principal amount of the Series 2004 A Bonds and (b) \$274,123 from the Government, being a portion of the principal amount of the Series 2004 B Bonds. The balance of the respective principal amounts of the Bonds will be advanced to the Issuer from time to time as acquisition and construction of the Project progresses.

15. **CONFLICTS OF INTEREST:** No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or the sale of any land, materials, supplies or services to the Issuer, or to any contractor supplying the Issuer, relating to the Bonds, the Resolution and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

16. **VERIFICATION OF SCHEDULE:** The final amended Schedule B attached to the Certificate of Consulting Engineer, with the signature of the Chairperson and the Consulting Engineer, accurately represents the estimated costs of the Project, the sources of funds available to pay the costs of the Project and the costs of financing of the Bonds.

17. **PROCUREMENT OF ENGINEERING SERVICES:** The Issuer has complied with all the requirements of Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended, in the procurement of the engineering services of the Consulting Engineer.

18. **USERS:** The Issuer will serve at least 240 bona fide users upon the completion of the Project, in full compliance with the Letter of Conditions.

19. **WETLANDS COVENANT:** The Issuer hereby certifies that it will not use any

proceeds of the Bonds for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity.

20. GRANTS: As of the date hereof, the grant from the Government in the amount of \$1,210,550, the grant from the Appalachian Regional Commission in the amount of \$500,000, and the grant from the Council in the amount of \$2,415,000 are committed for the Project and in full force and effect.

21. COUNTERPARTS: This Certificate may be executed in counterparts and all counterparts shall be deemed to be the Certificate.

WITNESS our signatures and the official corporate seal of Clay-Roane Public Service District on this 12th day of November, 2004.

[SEAL]

<u>Signature</u>	<u>Official Title</u>
<u>Melvin Postelwait</u>	Chairperson
<u>Crystal McKinney</u>	Secretary
<u>Thomas N. Whitin</u>	Attorney

EXHIBIT A

See Specimen Bonds (Tab Nos. 16 and 17).

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairperson of the Public Service Board of the Clay-Roane Public Service District in Clay and Roane Counties, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of the \$1,000,000 Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund), of the Issuer, dated November 12, 2004 (the "Bond"), hereby certifies as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bond. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution duly adopted by the Issuer on October 14, 2004 (the "Bond Resolution"), authorizing the Bond.

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

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on November 12, 2004, the date on which the Bond is being physically delivered in exchange for a portion of the principal amount of the Bond, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Bond is issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bond which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Infrastructure and Jobs Development Council (the "Council"), as the case may be, from which the proceeds of the Bond are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Bond was sold on November 12, 2004, to the Authority, pursuant to a Loan Agreement dated November 12, 2004, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of \$1,000,000 (100% of par), at which time, the Issuer received \$331,601.99 from the Authority and the Council, being a portion of the principal amount of the Bond. No accrued interest has been or will be paid on the Bond.

On the date hereof, the Issuer simultaneously issued its Water Revenue Bond, Series 2004 B (United States Department of Agriculture), in the original principal amount of \$360,000 (the "Series 2004 B Bond"), to pay a portion of the costs of acquisition, construction and equipping of the Project and certain costs of issuance thereof.,

6. The Bond is being delivered simultaneously with the delivery of this certificate and is issued for the purposes of (i) paying in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) paying a portion of the costs of acquisition, construction and equipping the Project; and (iii) paying certain costs of issuance of the Bond and related costs.

7. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bond for the construction of the Project, constituting a substantial binding commitment, or has already done so. The construction of the Project and the allocation of the net sale proceeds of the Bond to expenditures for costs of the Project shall commence immediately and shall proceed with due diligence to completion, and all of the proceeds from the sale of the Bond, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before November 5, 2005. The acquisition of the Project is expected to be completed by October 7, 2005.

8. The total cost of the Project is estimated at \$5,485,550. Sources and uses of funds for the Project are as follows:

SOURCES

Series 2004 A Bond Proceeds	\$1,000,000
Series 2004 B Bond Proceeds	360,000
IJDC Grant	2,415,000
RUS Grant	1,210,550
ARC Grant	500,000
Total Sources	<u>\$5,485,550</u>

USES

Costs of Project	\$5,172,050
Payoff Series 2001 A Bond	295,000
Costs of Issuance	18,500
Total Uses	<u>\$5,485,550</u>

9. Pursuant to Article IV of the Bond Resolution, the following special funds have been created or continued:

- (1) Revenue Fund;
- (2) Series 2004 A Bond Sinking Fund;

- (3) Series 2004 B Bond Sinking Fund;
- (4) Series 2004 A Bonds Reserve Account;
- (5) Series 2004 B Bonds Reserve Account;
- (6) Depreciation Fund; and
- (7) Series 2004 Bonds Construction Trust Fund.

10. Pursuant to Article VI of the Bond Resolution, proceeds of the Bond will be used to pay the entire outstanding principal of and any interest and administrative fees on the Series 2001 A Bond and the remaining proceeds of the Bond will be deposited in the Series 2004 Bonds Construction Trust Fund and applied solely to payment of costs of the Project, including costs of issuance of the Bond and related costs, and for no other purpose.

Prior to expenditure, the proceeds of the Bond in the Series 2004 Bonds Construction Trust Fund will be invested at a yield not to exceed the yield on the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

11. Moneys held in the Series 2004 A Bond Sinking Fund will be used solely to pay principal of and interest, if any, on the Bond and will not be available to meet costs of construction of the Project.

12. The construction of the Project will proceed with due diligence to completion. The construction of the Project is expected to be completed within 11 months of the date hereof.

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

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

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

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

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

18. The original proceeds of the Bond will not exceed the amount necessary for the purposes of the issue. The Issuer covenants that it shall maintain thorough and accurate accounting records, in conformance with generally accepted accounting principles, relative to the proceeds of the Bond so that use of proceeds from the Bond can be accounted for.

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

20. The Bond is not federally guaranteed.

21. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bond if such amendment is necessary to assure that the Bond remains governmental or public purpose bonds.

22. Except for the Series 2004 B Bonds, there are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bond, (b) are to be sold pursuant to a common plan of financing together with the Bond and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bond.

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

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

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

WITNESS my signature as of this 12th day of November, 2004.

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melanie Postelwait
Chairperson

**CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)**

**CERTIFICATE OF SECRETARY/TREASURER AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED**

I, Crystal McKinney, the duly appointed Secretary/Treasurer of the Clay-Roane Public Service District, West Virginia, hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of the Clay-Roane Public Service District, Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Series 2004 B (United States Department of Agriculture), 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. Orders of The County Commissions of Clay and Roane Counties Creating and Enlarging Clay-Roane Public Service District.
2. Orders of The County Commissions of Clay and Roane Counties Appointing Members of the Public Service Board.
3. Oaths of Office of the Board Members.
4. Rules of Procedure.
5. Minutes of Current Year Organizational Meeting.
6. Public Service Commission Order.
7. Infrastructure Council Approval Letter.
8. Infrastructure Council Loan Agreement.
9. USDA Letter of Conditions, as amended.
10. USDA Closing Letter.
11. Bond Resolution.
12. Supplemental Resolution.
13. Minutes of Board Meeting regarding Adoption of Bond Resolution and Supplemental Resolution.

14. Affidavits of Publication regarding Notice of Borrowing and Notice to Residents of Meeting to Adopt Bond Resolution and Supplemental Resolution.
15. 1990 Bond Resolution.
16. 1997 Bond Resolution.
17. 1982 Precious PSD Bond Resolution.
18. USDA Consent to Issuance of Parity Bonds.
19. Environmental Health Services Permit
20. Evidence of Insurance
21. Infrastructure Council Grant Agreement.
22. USDA Grant Agreement.
23. Appalachian Regional Commission Grant Letter.
24. Water Purchase Contract with Town of Clay.

WITNESS my signature and the official seal of the Clay-Roane Public Service District, West Virginia as of the 12th day of November, 2004.

(SEAL)


Secretary/Treasurer

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

CERTIFICATE OF CONSULTING ENGINEER

I, James B. Hildreth, Registered Professional Engineer, West Virginia License No. 7719, of Boyles and Hildreth, Spencer, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing public water facilities (the "System") of Clay-Roane Public Service District (the "Issuer"), to be constructed in Clay and Roane Counties, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (collectively, the "Bonds" or individually, the "Series 2004 A Bonds" and the "Series 2004 B Bonds") of the Issuer. All capitalized words used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on October 14, 2004 (the "Resolution"), the loan agreement for the Series 2004 A Bonds by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated November 12, 2004 (the "Loan Agreement"), and the letter of conditions from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), to the Issuer, dated February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions dated August 18, 1997, and by Amendment No. 2 to Letter of Conditions dated August 5, 2004 (collectively, the "Letter of Conditions").

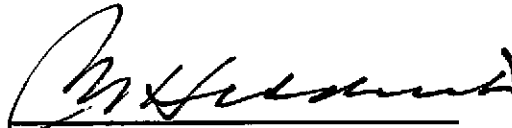
2. The Bonds are being issued for the purposes of (i) paying in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) paying a portion of the costs of acquisition, construction and equipping the Project; and (iii) paying certain costs of issuance of the Bond and related costs.

3. To the best of my knowledge, information and belief (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the West Virginia Bureau for Public Health (the "BPH") and any change orders approved by the Issuer, the Council, the Government and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 40 years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A, and in reliance upon the opinion of Issuer's counsel, Thomas N. Whittier, Esquire, of even date herewith, all successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the BPH and the bid forms provided to the bidders contain

all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) ~~in reliance upon the certificate of Teed & Associates PLLC, CPA, of even date herewith, as of the effective date thereof, the rates and charges for the System as approved by the Public Service Commission of West Virginia and adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement and the Resolution;~~ (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the Council and the Government; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal as of the 12th day of November, 2004.

[SEAL]

A handwritten signature in dark ink, appearing to read "James B. Hildreth", written over a horizontal line.

James B. Hildreth, P.E.

West Virginia License No. 7719

10/01/2004 10:14 3049272802

B H ENGRS

PAGE 02/02

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL**Schedule B**

Clay-Roane Public Service District

Water System Improvements Project 80W-181

FINAL TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING**I. COST OF PROJECT**

		<u>TOTAL</u>	<u>RUS Loan</u>	<u>RUS grant</u>	<u>ARC grant</u>	<u>WDC Grant/loan</u>
1 Construction						
Contract 1	FAMCO	1,786,822.10	0.00	889,488.00	500,000.00	407,134.10
Contract 2	Heater	2,07,620.25	0.00	0.00	0.00	2,107,620.25
Contract 3	Mid Atlantic	138,400.00	0.00	0.00	0.00	338,400.00
2 Technical Services Hildreth						
Design		271,130.00	271,130.00			
Inspection		151,000.00	58,870.00	92,130.00	0.00	0.00
Special Services		30,000.00	0.00	30,000.00	0.00	0.00
3 Legal & Fiscal						
a. Legal		15,000.00	0.00	0.00	0.00	15,000.00
b. Accounting		4,500.00				4,500.00
4 Administrative		7,500.00				7,500.00
5 Sites & Other Lands		10,000.00	0.00	0.00	0.00	10,000.00
6 Interim Financing (WDC deferred loan)		285,000.00				285,000.00
7 Contingency (%)		232,277.85	0.00	188,932.00	0.00	3,345.85
8 Miscellaneous						
9 TOTAL of Lines 1 through 8		5,447,050.00	330,000.00	1,210,550.00	500,000.00	3,408,500.00

I. SOURCES OF FUNDS

10 Federal Grants						
a. RUS grant		840,000.00		840,000.00		
b. ARC grant		510,000.00			500,000.00	
c. Additional RUS grant		370,550.00		370,550.00		
11 State Grants (WDC)		1,710,000.00				1,700,000.00
13 Additional WDC grant		715,000.00				715,000.00
14 TOTAL Lines 10 through 13		4,125,550.00	0.00	1,210,550.00	500,000.00	2,415,000.00
15 Net Proceeds from Bond Issue		1,321,500.00	330,000.00	0.00	0.00	891,500.00

II. COST OF FINANCING

16 Capitalized Interest		20,000.00	20,000.00			
17 Other Costs						
a. Registrar fees		500.00				500.00
b. Bond Counsel (Goodwin & Goodwin)		8,000.00	10,000.00			8,000.00
18 Cost of Issuance		8,500.00	30,000.00	0.00	0.00	8,500.00
19 Size of Bond Issue		1,340,000.00	360,000.00	0.00	0.00	1,000,000.00


 GOVERNMENTAL AGENCY

 9-9-04
 DATE


 CONSULTING ENGINEER

 9-9-04
 DATE



Smith, Cochran & Hicks, P.L.L.C.

Certified Public Accountants

Beckley Bridgeport Charleston Montgomery

405 Capitol Street • Suite 908 • Charleston, West Virginia 25301 • 304-345-1151 • Fax 304-346-6731

November 12, 2004

**CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)**

Clay-Roane Public Service District
Procious, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

United States Department of Agriculture, Rural Utilities Service
Parkersburg, West Virginia

Ladies and Gentlemen:

I have reviewed the water rates of Clay-Roane Public Service District (the "Issuer"), as approved by the order of the Public Service Commission of West Virginia, entered September 26, 2002, in Case No. 02-0038-PWD-19A, and the projected operating expenses and anticipated customer usage provided by James B. Hildreth, the consulting engineer of the Issuer. It is my opinion that such rates are sufficient (i) to provide for all operating expenses of the water facilities of the Issuer and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Issuer's Water Revenue Bond, Series 1990, Water Revenue Bond (Varneytown Project), Series 1997, and Water Revenue Bond, Series 1982, of the Procious Public Service District, heretofore assumed by the Issuer (collectively, the "Prior Bonds"), Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) and Water Revenue Bonds, Series 2004 B (United States Department of Agriculture) (collectively, the "Series 2004 Bonds").

It is further my opinion that the Net Revenues for the fiscal year following the year in which the Series 2004 Bonds are to be issued will be at least 120% of the average annual debt service requirements on the Prior Bonds and the Series 2004 Bonds.

A handwritten signature in black ink, appearing to read "Todd F. Dingess", is written over the printed name.

Todd F. Dingess, CPA

\$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the undersigned Chairperson of Clay-Roane Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certifies as follows:

1. On the 12th day of November, 2004, at Charleston, West Virginia, the Authority received for the Council, the Clay-Roane Public Service District Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund), numbered AR-1, in the principal amount of \$1,000,000, dated as of the date hereof, issued as a single, fully registered Bond (the "Bond").
2. At the time of such receipt of the Bond, the Bond had been executed by the Chairperson and the Secretary/Treasurer of the Issuer, by their manual signatures, on behalf of the Issuer, and the official seal of the Issuer had been imprinted upon the Bond.
3. The Issuer received and hereby acknowledges receipt from the Authority, as the original purchaser of the Bond, of \$331,602 being a portion of the principal amount of the Bond. The balance of the principal amount of the Bond will be advanced by the Authority and the Council to the Issuer as acquisition and construction of the Project progresses.

WITNESS our signatures as of the 12th day of November, 2004.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Barbara B Meadows
Authorized Representative

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Portelwaalt
Chairperson

\$360,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned, for the United States Department of Agriculture, Rural Utilities Service ("RUS"), and the undersigned Chairperson of Clay-Roane Public Service District (the "Issuer"), hereby certify as follows:

1. On the 12th day of November, 2004, at Clay, West Virginia, the undersigned received for RUS, the Clay-Roane Public Service District Water Revenue Bond, Series 2004 B (United States Department of Agriculture), numbered BR-1, in the amount of \$360,000, dated as of the date hereof, bearing interest at the rate of 4.50% per annum, payable in monthly installments as stated in the Bond. The Bond represents the entire above-captioned Bond issue.

2. At the time of such receipt of the Bond, the Bond had been executed by Melissa Postelwait as Chairperson and Crystal McKinney as Secretary/Treasurer of the Issuer, by their manual signatures, on behalf of the Issuer, and the official seal of the Issuer had been imprinted upon the Bond.

3. The Issuer received and acknowledged receipt from RUS, as the original purchaser of the Bond, of \$274,123, being a portion of the proceeds of the Bond. The balance of the Bond proceeds will be advanced from time to time to pay costs of the Project as described in the Letter of Conditions.

4. At the time of such receipt, the Bond had been executed and sealed by the designated officials of the Public Service District.

WITNESS our signatures as of the 12th day of November, 2004.

UNITED STATES DEPARTMENT OF AGRICULTURE,
Rural Utilities Service

By: 
Rural Development Specialist

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: 
Chairperson

\$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

REQUEST AND AUTHORIZATION TO AUTHENTICATE
AND DELIVER THE SERIES 2004 A BOND

November 12, 2004

Clay County Bank, Inc., as Registrar
P.O. Box 239
Clay, WV 25043

Ladies and Gentlemen:

We herewith hand to you, duly executed, the \$1,000,000 Clay-Roane Public Service District Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund) (the "Bond"), in the form of one bond, numbered AR-1, dated November 12, 2004, of the Clay-Roane Public Service District (the "District"), authorized to be issued under and pursuant to the Bond Resolution and the Supplemental Resolution, duly adopted the Public Service Board of the District on October 14, 2004.

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, for the benefit of the West Virginia Infrastructure and Jobs Development Council, the original purchaser thereof, upon receipt by the District of \$331,602, being a portion of the principal amount of the Bond.

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Portelwait
Chairperson

(SEAL)

Attest:

Crystal McKinney
Secretary/Treasurer

\$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 12th day of November, 2004, by and between CLAY-ROANE PUBLIC SERVICE DISTRICT, a public service district and political subdivision of the State of West Virginia (the "Issuer"), and the CLAY COUNTY BANK, INC., a state banking corporation, having its principal office in Clay, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$1,000,000 aggregate principal amount of Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund) (the "Bond"), in fully registered form, pursuant to a Bond Resolution and a Supplemental Resolution adopted by the Issuer on October 14, 2004 (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 Bond; 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 Registrar, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver the Bond 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 Bond 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 Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, the fee, if any, set forth in the annexed schedule.

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. Either party may terminate this Registrar's Agreement upon sixty (60) days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Clay-Roane Public Service District
P. O. Box 8
Procious, WV 25164

REGISTRAR: Clay County Bank, Inc.
Attention: Senior Vice President
P.O. Box 239
Clay, WV 25043

8. The Registrar is hereby requested and authorized to authenticate, register and deliver the Bond in accordance with the Resolution.

IN WITNESS WHEREOF, the CLAY-ROANE PUBLIC SERVICE DISTRICT and the CLAY COUNTY BANK, INC. 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.

CLAY-ROANE PUBLIC SERVICE DISTRICT

By: Melissa Portelwaert
Chairman

CLAY COUNTY BANK, INC.

By: J. Gregory Henry
Senior Vice President

Exhibit A

See Bond Resolution (Tab No. 12)

See Supplemental Resolution (Tab No. 13)

\$1,000,000
CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2004 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE OF REGISTRATION OF SERIES 2004 A BOND

I, J. Gregory Gency, Senior Vice President of the Clay County Bank, Inc., as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and Clay-Roane Public Service District (the "District") dated as of the date hereof, hereby certify that on the 12th day of November, 2004, the single, fully registered "Clay-Roane Public Service District Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund)", dated as of the date hereof, in the principal amount of \$1,000,000, numbered AR-1, was registered as to principal only 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 12th day of November, 2004.

CLAY COUNTY BANK, INC., as Registrar

By: 
Senior Vice President

CLAY-ROANE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2004 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND
SERIES 2004 B (UNITED STATES DEPARTMENT OF AGRICULTURE)

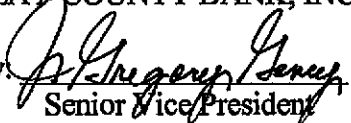
ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Clay County Bank, Inc., a state banking corporation, at its office located in Clay, Clay County, West Virginia, hereby accepts appointment as Depository Bank in connection with a Resolution of the Clay-Roane Public Service District (the "District") duly adopted by the Public Service Board of the District (the "Board") and effective on October 14, 2004 (the "Resolution"), authorizing issuance by the District of its Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), and Series 2004 B (United States Department of Agriculture), dated November 12, 2004, in the respective aggregate principal amounts of \$1,000,000 and \$360,000, and agrees to serve as Depository Bank, all as set forth in the Resolution.

Witness my signature as of the 12th day of November, 2004.

CLAY COUNTY BANK, INC.

By:


Senior Vice President

WV MUNICIPAL BOND COMMISSION
8 Capitol Street, Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM
Date of Report: November 12, 2004

ISSUER: Clay-Roane Public Service District
Water Revenue Bond, Series 2004 A (West Virginia Infrastructure Fund)
ADDRESS: P.O. Box 8
Procious, WV 25164 COUNTY: Clay and Roane
PURPOSE: New Money X
OF ISSUE: Refunding X Refunds issue dated: September 27, 2001
ISSUE DATE: November 12, 2004 CLOSING DATE: November 12, 2004
ISSUE AMOUNT: \$1,000,000 RATE: 0%
1ST DEBT SERVICE DUE: December 1, 2006 1ST PRINCIPAL DUE: December 1, 2006
1ST DEBT SERVICE AMT.: \$6,578.95 PAYING AGENT: Municipal Bond Comm.

BOND COUNSEL: Goodwin & Goodwin, LLP REGISTRAR: Clay County Bank, Inc.
Contact Person: W.K. Bragg, Jr. Contact Person: J. Gregory Gency
Phone 346-7000 Phone: (304) 587-4221

KNOWLEDGABLE ISSUER CONTACT: LENDER: West Virginia Infrastructure and
Contact Person: Melissa Postelwait Jobs Development Council
Position: Chairperson Contact Person: Katy Mallory, P.E.
Phone: (304) 548-5209 Position: Executive Secretary
Phone: (304) 558-4607

DEPOSITS TO MBC AT CLOSE: _____
____ Accrued Interest: \$ _____
____ Capitalized Interest: \$ _____
By X Wire _____ Reserve Account: \$ _____
____ Check X Other: \$295,000 (See Notes Below)
REFUNDS & TRANSFERS BY MBC AT CLOSE: _____
____ To Escrow Trustee: \$ _____
By _____ To Issuer: \$ _____
____ Check _____ To Cons. Invest. Fund: \$ _____
____ IGT _____ Other: _____ \$ _____

Notes: Pay in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund)

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

NEW ISSUE REPORT FORM
Date of Report: November 12, 2004

BOND COUNSEL: Goodwin & Goodwin, LLP Contact Person: W.K. Bragg, Jr. Phone 346-7000	REGISTRAR: Clay County Bank, Inc. Contact Person: J. Gregory Gency Phone: (304) 587-4221
KNOWLEDGABLE ISSUER CONTACT: Contact Person: Melissa Postelwait Position: Chairperson Phone: (304) 548-5209	LENDER: US Dep't. of Agriculture Contact Person: Virginia M. McDonald Phone: (304) 420-6666

-----DEPOSITS TO MBC AT CLOSE:-----

	___	Accrued Interest:	\$	___	
	___	Capitalized Interest:	\$	___	
By ___	Wire	___	Reserve Account:	\$	___
___	Check	___	Other:	\$	___

-----REFUNDS & TRANSFERS BY MBC AT CLOSE:-----

	___	To Escrow Trustee:	\$	___	
By ___	Wire	___	To Issuer:	\$	___
___	Check	___	To Cons. Invest. Fund:	\$	___
___	IGT	___	Other:	\$	___

REQUIRED:

LAW OFFICES

GOODWIN & GOODWIN, LLP

300 SLIMMERS STREET, SUITE 1500
CHARLESTON, WEST VIRGINIA 25301-1678

P.O. BOX 2107
CHARLESTON, WEST VIRGINIA 25328-2107

TELEPHONE (304) 346-7000
TELECOPIER (304) 344-9692

www.goodwingoodwin.com

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

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

Reply To: Charleston

November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Re: Clay-Roane Public Service District Water Revenue Bonds,
Series 2004 A (West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We have served as bond counsel to Clay-Roane Public Service District (the "Issuer") in connection with the issuance of its Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined certified copies of proceedings and other papers relating to the authorization of (i) a loan agreement for the Bonds, dated November 12, 2004, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the Bonds to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are issued in the principal amount of \$1,000,000, in the form of one bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2006, all as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bonds.

GOODWIN & GOODWIN, LLP

November 12, 2004

Page 2

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), for the purposes of (i) paying in full the entire outstanding principal of and any interest and administrative fees on the Issuer's Water Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) (the "Series 2001 A Bond"); (ii) paying a portion of the costs of acquisition, construction and equipping the Project; and (iii) paying certain costs of issuance of the Bond and related costs.

We have also examined the applicable provisions of the Act and a Bond Resolution duly adopted by the Issuer on October 14, 2004, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Resolution"), pursuant to and under which Act and Resolution the Bonds are authorized and issued, and the Loan Agreement is entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Resolution and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution and the Loan Agreement when used herein.

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

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

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

3. 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 Issuer without the written consent of the Authority and the Council.

4. The Issuer has legally and effectively adopted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Bonds. The Resolution constitutes a valid and binding obligation of the Issuer, enforceable

GOODWIN & GOODWIN, LLP

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Page 3

against the Issuer in accordance with its terms thereof and contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and a pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bond, Series 1990, Water Revenue Bond (Varneytown Project), Series 1997, Water Revenue Bond, Series 1982 (heretofore assumed by the Issuer from Precious Public Service District), and Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), all in accordance with the terms of the Bonds and the Resolution.

6. Under the Act, the Bonds and the interest thereon are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

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

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

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

Respectfully submitted,

Goodwin & Goodwin, LLP
GOODWIN & GOODWIN, LLP

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Reply To: Charleston

November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

United States Department of Agriculture, Rural Utilities Service
Parkersburg, West Virginia

Re: Clay-Roane Public Service District Water Revenue Bonds,
Series 2004 B (United States Department of Agriculture)

Ladies and Gentlemen:

We have served as bond counsel to Clay-Roane Public Service District (the "Issuer") in connection with the issuance of its Water Revenue Bonds, Series 2004 B (United States Department of Agriculture), dated the date hereof (the "Bonds").

We have examined certified copies of proceedings and other papers relating to the issuance of the Bonds. The Bonds are issued in the principal amount of \$360,000, in the form of one bond and bear interest from the date hereof, on the amount advanced thereunder, at the rate of 4.5% per annum.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and have been authorized by a Bond Resolution duly adopted by the Issuer on October 14, 2004, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 14, 2004 (collectively, the "Resolution"). The Bonds are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs. All capitalized terms used herein and

GOODWIN & GOODWIN, LLP

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not otherwise defined herein shall have the same meaning set forth in the Resolution when used herein.

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

1. The Issuer is a duly created and validly existing public service district and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Bonds, all under the Act and other applicable provisions of law.
2. The Issuer has legally and effectively adopted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Bonds. The Resolution constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms thereof.
3. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and a pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bond, Series 1990, Water Revenue Bond (Varneytown Project), Series 1997, Water Revenue Bond, Series 1982 (heretofore assumed by the Issuer from Precious Public Service District), and Water Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), all in accordance with the terms of the Bonds and the Resolution.
4. Under the Act, the Bonds and the interest thereon are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.
5. The Bonds have not been issued on the basis that the interest thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

Goodwin + Goodwin, LLP
GOODWIN & GOODWIN, LLP

HEDGES, JONES, WHITTIER AND HEDGES

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November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

United States Department of Agriculture, Rural Utilities Service
Parkersburg, West Virginia

Goodwin & Goodwin, LLP
Charleston, West Virginia

Re: Clay-Roane Public Service District Water Revenue Bonds,
Series 2004 A (West Virginia Infrastructure Fund) and
Series 2004 B (United States Department of Agriculture)

Ladies and Gentlemen:

We are counsel to Clay-Roane Public Service District (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Goodwin & Goodwin, LLP, as bond counsel, relating to the above-captioned bonds of the Issuer (collectively, the "Bonds"), a loan agreement for the Series 2004 A Bonds, dated November 12, 2004, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), the letter of conditions for the Series 2004 B Bonds, dated February 7, 1997, as amended by Amendment No. 1 to Letter of Conditions dated August 18, 1997, and as amended by Amendment No. 2 to Letter of Conditions dated August 5, 2004 (collectively, the "Letter of Conditions"), from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), a Bond Resolution duly adopted by the Public Service Board of the Issuer (the "Board") on October 14, 2004; as supplemented by a Supplemental Resolution duly adopted on October

Clay-Roane Public Service District
West Virginia Infrastructure and Jobs Development Council
West Virginia Water Development Authority
United States Department of Agriculture
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Page 2

14, 2004 (collectively, the "Resolution"), orders of The County Commission of Clay and Roane Counties relating to the Issuer and the appointment of members of the Board, and other documents relating to the Bonds and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Loan Agreement and the Resolution when used herein.

We are of the opinion that:

1. The Issuer is a duly created and validly existing public service district and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System and to adopt the Resolution, all under the Act and other applicable provisions of law.
2. The members and officers of the Board have been duly and properly appointed and elected, have taken the requisite oaths and are thereby authorized to act on behalf of the Issuer in their respective capacities.
3. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and binding agreement of the Issuer, enforceable in accordance with its terms.
4. The Resolution has been duly adopted 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 Bonds, the Loan Agreement and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any resolution, agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.
6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates, registrations and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project,

Clay-Roane Public Service District
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the operation of the System and the imposition of rates and charges for the use of the System, including, without limitation, all requisite permits, approvals, orders and certificates from the West Virginia Bureau for Public Health, the Council and the Public Service Commission of West Virginia (the "PSC"). The Issuer has taken all actions required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the order of the PSC entered on September 26, 2002, in Case No. 02-0038-PWD-19A, approving the rates for the System and the orders of the PSC entered on March 13, 2002, and October 13, 2004, in Case No. 00-1303-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the PSC orders entered March 13, 2002, and September 26, 2002, has expired prior to the date hereof without any appeal having been filed. The time for appeal of the PSC order entered October 13, 2004, has not expired on the date hereof. However, the parties to such order have stated that they do not intend to appeal such order. All such orders remain in full force and effect.

7. The Issuer has duly published the required notice with respect to, among other things, the amount of the Bonds to be issued, the interest rate and terms of the Bonds, the Project to be constructed, the cost of the Project, the anticipated user rates and charges and the date that a formal application for a certificate of public convenience and necessity is to be filed with the PSC in accordance with Chapter 16, Article 13A, Section 25 of the Code of West Virginia, 1931, as amended, and has duly complied with the provisions thereof.

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

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Goodwin & Goodwin, LLP
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9. All successful bidders have made the required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy. Based upon our review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, we are of the opinion that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interest of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Resolution and the Loan Agreement; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Very truly yours,

A handwritten signature in dark ink, appearing to read 'T. N. Whittier', written over a horizontal line.

Thomas N. Whittier

TNW/lw

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November 12, 2004

Clay-Roane Public Service District
Procious, West Virginia

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

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

Re: Clay Roane PSD
Amma Lefthand project

Ladies and Gentlemen:

This firm represents the Clay Roane Public Service District (the "District") with regard to a proposed project to construct potable distribution water line extensions to serve customers in various unserved portions of Clay and Roane Counties of West Virginia generally known as the Amma Lefthand Project (the "Project") and provides this final title opinion on behalf of the District to satisfy the requirements of the West Virginia Infrastructure and Jobs Development Council (the "Council") with regard to the Infrastructure Fund financing proposed for the Project. Please be advised of the following:

1. The District is a duly created and validly existing public service district possessed with all the powers and authority granted to public service districts under the laws of the State of West Virginia and has the full power and authority to construct, operate and maintain the Project as approved by the West Virginia Public Service Commission and the West Virginia Bureau of Public Health.
2. The District has obtained all necessary permits and approvals for the construction of the Project.
3. I have investigated and ascertained the location of and I am familiar with the legal description of the necessary sites, including easements and/or rights of way, required for the Project as set forth in the plans for the Project prepared by James B. Hildreth, P. E. of Boyles & Hildreth, the consulting engineers for the project.

4. I have examined the records on file in the Offices of the Clerk of the County Commission of Clay and Roane Counties, West Virginia, the counties in which the Project is to be located, and, in my opinion, the District has acquired legal title or such other estate or interest in the necessary site components for the Project, including all easements and rights of way, with the exception of those listed below, 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.

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

- A. *The Clay-Roane Public Service District, a public corporation created by act of the Roane and Clay County Commissioners, Petitioner, vs. Ricky F. Taylor and Caroline Taylor, his wife, and all of the known and unknown heirs, devisees, assigns and creditors of the above named, Clay County Civil Action No. 04-C-93.*

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

Sincerely,



Thomas N. Whittier

cc: Samme L. Gee, Esquire