

COTTAGEVILLE PUBLIC SERVICE DISTRICT

\$429,090

COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

BOND RESOLUTION

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COTTAGEVILLE PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF NEW PUBLIC SEWERAGE FACILITIES OF COTTAGEVILLE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COSTS THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$429,090 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1999 (STATE REVOLVING FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS; PLACING STATUTORY LIEN ON AND PLEDGING NET REVENUES; LIMITING SALE OF SYSTEM; CONFIRMING RATES AND CHARGES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AUTHORIZING INTERIM FINANCING; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE COTTAGEVILLE 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 "Resolution") is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. The Cottageville Public Service District (the "Issuer") is a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia in Jackson County.

B. The Issuer desires to create a new wastewater (sewer) collection and treatment system to serve certain areas of the District and to have such improvements constructed. Therefore, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer and surrounding areas that a new wastewater collection system and treatment facility to serve the Issuer be built. The proposed work will consist of the construction and equipping of sewer mains, pumping stations, a sewage treatment facility, valves and related property and equipment (the "Project") which constitute properties for the collection and/or transportation, purification and

disposal of liquid or solid wastes, the Project and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$2,070,213 to acquire, construct and equip the Project, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications are on file with the Issuer.

C. The Issuer currently has outstanding a Step 1 loan made by the Authority, as hereinafter defined, offered on December 16, 1975, and accepted on December 26, 1975, in the principal amount of \$2,500 plus a service charge of 1%. The Issuer will pay \$2,525 in payment of the Step 1 loan to the Authority upon closing and issuance of its Sewer Revenue Bonds. The Issuer will also repay the outstanding \$87,177 Cottageville Public Services District, Sewerage System Design Notes, Series 1997 (West Virginia Infrastructure Fund) and the 3% administrative fee. The Issuer has no other outstanding debt.

D. The estimated revenues being and to be derived in each year from the Project and the System will be sufficient to pay the costs of said System, the principal of and interest on the Bonds and all sinking funds, reserve accounts and other payments provided for herein and all as such terms are hereinafter defined.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of \$429,090 to finance a portion of the cost of the acquisition, construction and equipping of the Project. The acquisition and construction has been estimated to cost not more than \$2,070,213 in the manner hereinafter provided. The balance of the funds for the Project will consist of an Economic Development Administration grant in the amount of \$980,000, an Appalachian Regional Commission grant in the amount of \$573,300, and a DEP Planning Grant in the amount of \$87,823.

F. The estimated cost of the debt necessary for the acquisition, construction and equipping of the Project is \$429,090, all of which will be obtained from the sale of the Bonds. The cost of such acquisition, construction and equipping shall be deemed to include but not limited to the cost of acquiring, constructing and equipping the Project and all attendant expenses; repayment of borrowings related to the feasibility and design of the project (the Notes and loan); amounts which may be deposited in the Series 1999 Bond Reserve Account, if any; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to the enterprise, administrative expense, commitment fees, fees of DEP or the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, and the performance of the things herein required or permitted in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds for acquisition, construction and equipping purposes shall be deemed Costs of the Project, as hereinafter defined.

G. The period of usefulness of the System after completion of the Project will be not less than twenty-one (21) years.

H. The Issuer has completed and filed with the Authority and the West Virginia Division of Environmental Protection ("DEP") an Application for a Loan with attachments and exhibits and will file an Amended Application for a Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), and upon review thereof, the Authority and DEP have indicated their willingness to lend the Issuer \$429,090 through the purchase of revenue bonds of the Issuer with moneys held in the Fund, hereinafter defined, subject to the Issuer's satisfaction of certain legal and other requirements of the Program, hereinafter defined.

I. It is in the best interests of the Issuer that its Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement entered into among the Issuer, DEP and the Authority.

J. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and equipping of the Project and issuance of the Bonds including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia in Case No. 98-0174-PSD-CN, which became a Final Order of the Public Service Commission on February 1, 1999. Prior to any acquisition and construction of the Project and issuance of any additional indebtedness, the Issuer will comply with all requirements of West Virginia law including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order. The Issuer has received the approval of the West Virginia Infrastructure and Jobs Development Council.

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

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

"Act" means Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Issuer or any acting Chairman duly appointed by the Governing Body.

"Board" means the Public Service Board of the Issuer, as created and appointed by the Jackson County Commission pursuant to the provisions of §16-13A, and any successor thereto.

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

"Bond Registrar" or "Registrar" means the bank or other entity acquisition, construction and equipping as such in Section 4.03 E. hereof, and its successors and assigns.

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

"Bonds" means the \$429,090 in aggregate principal amount of Cottageville Public Service District, Sewer Revenue Bonds issued for the purpose of acquisition, construction and equipping the Project and any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

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

"Consulting Engineers" means Woolpert, LLP, Charleston, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Department of Commerce, Labor and Environmental Resources, or any other agency of the State of West Virginia that succeeds to the functions of DEP.

"Depository Bank" means the bank acquisition, construction and equipping as such in Section 4.03 E. hereof, and its successors and assigns.

"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.

"Fund" means the West Virginia Water Pollution Control Revolving Fund created pursuant to Chapter 22C, Article 2, Section 1, et seq., of the Code of West Virginia of 1931, as amended.

"Governing Body" means the board of the Issuer or other legally constituted governing body of the Issuer, as may hereafter be constituted.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncorrectable accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 7.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Issuer" means the Cottageville Public Service District, in Jackson County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean the Loan Agreement to be entered into among the Authority, DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority, the form of which may be approved, and the execution and delivery by the Issuer authorized and directed or ratified herein or by a Supplemental Resolution.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 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.

"Operation and Maintenance Account" means the Operation and Maintenance Account established by Section 4.01 hereof.

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

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitation prescribed by Section 6.08 hereof.

"Paying Agent" means the West Virginia Municipal Bond Commission, its successors and assigns.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" means the State DEP Revolving Fund program, under which the Authority purchases the sewer revenue bonds of local governmental entities satisfying certain legal and other requirements with funds on deposit in the West Virginia Water Pollution Control Revolving Fund established under the provisions of Chapter 22C, Article 2 of the Code of West Virginia of 1931, as amended.

"Project" means the acquisition, construction and equipping and engineering of certain new sewer facilities of the Issuer, within or surrounding the Cottageville Public Service District and all appurtenant facilities.

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

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

(a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; provided, that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments other than that described in this paragraph (h); and

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

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

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

"Regulations" means temporary and permanent regulations promulgated under the Code, or

any predecessor thereto.

"Renewal and Replacement Account" means the Renewal and Replacement Account established by Section 4.01 hereof.

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

"Revenue Fund" or "System Revenue Fund" means the Revenue Fund or System Revenue Fund established by Section 4.01 hereof.

"Secretary" means the Secretary or Acting Secretary of the Issuer.

"Series 1999 Bond Reserve Account" means the Series 1999 Bond Reserve Account established in the Series 1999 Bond Sinking Fund pursuant to Section 4.02 hereof.

"Series 1999 Bond Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the 1999 Bonds in the then current or any succeeding year.

"Series 1999 Bond Sinking Fund" means the Series 1999 Bond Sinking Fund established by Section 4.02 hereof.

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

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

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Resolution to be set aside and held for the payment of or security for the Bonds, or any other obligations of the Issuer, including the Renewal and Replacement Account, and the Series 1999 Bond Reserve Account, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means all facilities and other property of every nature, real and personal, now or hereafter owned, held or used in connection with the sewer system; and shall also include any and all additions, extensions, improvements, properties, or other facilities at any time acquired or constructed for the sewer 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 neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF PROJECT

Section 2.01. Authorization of Acquisition, Construction and Equipping of the Project. There is hereby authorized the acquisition, construction and equipping of the Project, at an estimated cost of \$2,070,213 in accordance with plans and specifications prepared by the Consulting Engineers and filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article IV hereof. The Issuer has received proposals and has entered or will enter into contracts for the acquisition, construction and equipping of the Project, compatible with the financing plan submitted to the SRF Program.

Section 2.02. Authorization for Issuer to Enter Into Loan Agreement. The Issuer hereby approves the Loan Agreement and the sale of the Bonds pursuant to the Loan Agreement. The Chairman is hereby authorized and directed to execute and deliver the Loan Agreement to the Authority.

Section 2.03. Designation of Parties. The Issuer hereby designates United National Bank, Ripley, West Virginia, to serve as the Registrar for the Bonds and as the Depository Bank. The Commission is hereby designated as Paying Agent for the Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of paying for acquisition, construction and equipping of the Project not otherwise provided for, paying certain costs of issuance of the Bonds and related costs, or any other purposes as determined by a Supplemental Resolution and repaying the outstanding Step 1 loan and Series 1997 Bonds, there shall be issued negotiable Bonds of the Issuer, in an aggregate principal amount of \$429,090 for acquisition, construction and equipping of the Project. Said Bonds shall be issued and designated "Sewer Revenue Bonds, Series 1999 (State Revolving Fund)", in the aggregate principal amount of \$429,090 and shall have such terms as set forth hereinafter or in a Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Series 1999 Bond Reserve Account (if funded

from Bond proceeds) shall, subject to Section 5.02 hereof, be deposited in or credited to the Construction Trust Fund established by Section 4.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall be registered and numbered R-1. The Bonds shall bear interest at a rate of two percent (2%) per annum plus an annual administrative fee of one percent (1%). Repayment of principal and interest shall begin September 1, 2000, with the first payment due on December 1, 2000. The administrative fee shall be payable quarterly. The Bonds shall mature in twenty-one (21) years, final payment on September 1, 2020 and shall be redeemable in whole or in part, all as prescribed herein. The Bonds shall be payable as to principal and interest at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal and interest, is legal tender for the payment of public or private debts under the laws of the United States of America.

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

Subsequent series of Bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Resolution.

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

No Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bonds, substantially in the form set forth in Section 3.08 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bonds shall be conclusive evidence that such Bonds have been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any 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 the Bonds issued hereunder.

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

So long as any of the Bonds remain outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bonds. The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of 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 of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer

may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.06. Bonds not to be Indebtedness of Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 1999 Bond Reserve Account. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon. The Issuer has no taxing power.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured by a lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Series 1999 Bond Sinking Fund, the Series 1999 Bond Reserve Account therein and the Renewal and Replacement Account, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.08. Form of Bonds. The text of the Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

No. R-1

\$429,090

Date: _____, 1999

KNOW ALL MEN BY THESE PRESENTS: That COTTAGEVILLE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Jackson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Four Hundred Twenty-nine Thousand Ninety and 00/100 Dollars (\$429,090.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance hereof at the rate set out below. Interest on this Bond is set at two percent (2%) per annum, plus a one percent (1%) annual administrative fee payable quarterly. Principal and interest on the Bond and the administrative fee are payable in quarterly installments commencing December 1, 2000, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The final installment of principal and interest shall be paid at the end of twenty (20) years from the date amortization of debt service on the Bond begins and shall be in an amount equal to the amount of outstanding principal and interest due on the Bond at said date. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole at par, but only upon thirty (30) days prior written notice to the Authority and the West Virginia Division of Environmental Protection ("DEP") and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and among the Issuer, the Authority and DEP.

This Bond is issued (i) to repay the design costs, pay a portion of the permanent costs of acquisition, construction and equipping new public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on February 8, 1999 (the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Resolution.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, from moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1999 Bond Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 Bond Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with the Bonds, provided however, that so long as there exists in the Series 1999 Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

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

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

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

This Bond shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, COTTAGEVILLE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary and has caused this Bond to be dated _____, 1999.

COTTAGEVILLE PUBLIC SERVICE DISTRICT

[SEAL]

By: _____
Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999 Bond described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 1999

UNITED NATIONAL BANK

By: _____
Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$ _____		(6) \$ _____	
(2) \$ _____		(7) \$ _____	
(3) \$ _____		(8) \$ _____	
(4) \$ _____		(9) \$ _____	
(5) \$ _____		(10) \$ _____	
		TOTAL \$ _____	

EXHIBIT B

DEBT SERVICE SCHEDULE

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 of the within Bond of said Issuer with full power of substitution in the premises.

Dated: _____, 19__.

(Assignor)

Witnessed in the presence of:

Section 3.09. Sale of Bonds; Ratification of Execution of Loan Agreement with Authority and DEP; Incorporation of Terms. The Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in substantially the form attached hereto as "Exhibit A" and made a part hereof, with such changes, insertions and omissions as may be approved by the Chairman, the execution of which shall be conclusive evidence of such approval, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to DEP and the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved. The Loan Agreement, as the same may be amended and/or supplemented, and the terms and provisions thereof are herein incorporated by reference thereto.

Section 3.10. Prohibition of Other Loans. So long as the Bonds are outstanding, no bonds or other evidences of indebtedness against the System shall be issued by the Issuer without the prior written consent of the Authority and DEP; provided however, that the Issuer may issue refunding bonds to pay the entire outstanding principal of and interest accrued on the Bonds in full. The Issuer shall give the Authority and DEP prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 3.11. Required Notices to Holders of Bonds. The Issuer will provide the Authority and DEP prompt written notice, appropriately documented, of any of the following events:

- (A) Any suspension, termination or modification of any grant;
 - (B) The authorization by the Issuer of any additional indebtedness related to the System;
- and
- (C) Any activity that would stop the work schedule on the Project.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreement to the effect that the Project has been or will be designed as provided in the Program application and will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, the Project is or will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of acquisition, construction and equipping of the Project.

Section 3.13. "Amended Schedule B" Filing. Within sixty (60) days following the construction Completion Date, the Issuer will file with the Authority a schedule in substantially the

form of the "Amended Schedule B" to the Loan Agreement, setting forth the actual costs of the acquisition, construction and equipping phase of the Project and sources of funds thereof.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund or System Revenue Fund.

(a) Operation and Maintenance Account.

(2) Construction Trust Fund.

(3) Rebate Fund.

(4) Renewal and Replacement Account

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

(1) Series 1999 Bond Sinking Fund;

(a) Within the Series 1999 Bond Sinking Fund, the Series 1999 Bond Reserve Account.

Section 4.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the System Revenue Fund established herein. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Account the amount necessary and sufficient to pay current Operating Expenses.

(2) The Issuer shall, beginning three (3) months prior to the date set forth in Schedule X to the Loan Agreement, in order to provide debt service on the Bonds, deposit in the Series 1999 Sinking Fund one-third (1/3) of the interest payment next coming due on the Bonds and one-third (1/3) of the principal payment next coming due on the Bonds. The Issuer shall submit payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority. The Issuer shall instruct the Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

(3) The Issuer shall next, on the first day of each month, commencing three (3) months prior to the first date of payment of principal of the Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit into the Series 1999 Bond Reserve Account, an amount equal to 1/120 of the Series 1999 Bond Reserve Requirement; provided, that no further payments shall be made into the Series 1999 Bond 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 1999 Bond Reserve Requirement.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, transfer to the Renewal and Replacement Account, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Account 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 VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Account for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1999 Bond Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof,] shall be promptly eliminated with moneys from the Renewal and Replacement Account.

With respect to the payments made by the Issuer under Section 4.03 (1) through (4) above which relate to the Bonds, the Issuer shall complete the Monthly Payment Form described in the Loan Agreement and submit a copy of said form and the check or checks representing such payments to the Authority by the 5th day of such calendar month.

Moneys in the Series 1999 Bond Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, as the same shall become due. Moneys in the Series 1999 Bond Reserve Account shall be used only for the purpose of paying principal of and interest on the Bonds, as the same shall come due, when other moneys in the attendant Series 1999 Bond Sinking Fund are insufficient therefor, and for no other purpose.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 Bond Sinking Fund and Series 1999 Bond Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during acquisition, construction and equipping of the Project, be deposited in the Construction Trust Fund, and following completion of acquisition, construction and equipping of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the Rebate Fund permitted hereunder, any withdrawals from the Series 1999 Bond Reserve Account which result in a reduction in the balance of the Series 1999 Bond Reserve Account to below the Series 1999 Bond Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Series 1999 Bond Sinking Fund for payment of debt service on the Bonds.

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

The Issuer shall not be required to make any further payments into the Series 1999 Bond Sinking Fund or into the Series 1999 Bond Reserve Account therein when the aggregate amount of funds in said Series 1999 Bond Sinking Fund and Series 1999 Bond Reserve Account are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Resolution then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1999 Bond Sinking Fund created hereunder, and all amounts required for said Series 1999 Bond Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1999 Bond Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

Moneys in the Series 1999 Bond Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Series 1999 Bond Sinking Fund, including the Series 1999 Bond Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bonds and any additional bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1999 Bond Sinking Fund, including the Series 1999 Bond Reserve Account therein and the Renewal and Replacement Account during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Such Surplus Revenues shall be used to redeem the Bonds or for any lawful purposes of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Commission's fees, the Registrar's fees, the Paying Agent's fees and the Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Commission on the 1st day of each month the SRF Administrative Fee.

E. United National Bank is hereby designated as the Depository Bank and as Bond Registrar for the Bonds. The Commission is hereby designated as Paying Agent for the Bonds.

F. The moneys in excess of the sum insured by the maximum amounts insured by FDIC held by the Depository Bank 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 quarterly 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 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

H. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If requested in writing by the Authority and Division of Environmental Protection, all remittances may be made by electronic transfer or

automatic debit.

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

J. All Tap Fees shall be deposited by the Issuer, as received, in the Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System or as requested by the Authority and DEP.

Section 4.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Bonds not required by the Project in the Series 1999 Bond Reserve Account, provided that the Series 1999 Bond Reserve Account is not funded to the Series 1999 Bond Reserve Requirement or as instructed by the Authority and DEP.

ARTICLE V

BOND PROCEEDS; DISBURSEMENTS

Section 5.01. Application of Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bonds, there shall be deposited with the Commission in the Series 1999 Bond Reserve Account the sum, if any, required hereunder for funding the Series 1999 Bond Reserve Account.

B. In addition, there shall be paid to the West Virginia Infrastructure and Jobs Development Council the amount necessary to repay the outstanding \$87,177 Cottageville Public Service District, Sewerage System Design Notes, Series 1997 (West Virginia Infrastructure Fund) and any administrative fee owed.

C. The remaining moneys derived from the sale of the Bonds shall be deposited by the Issuer as received from time to time in the Construction Trust Fund established hereunder.

D. The Depository Bank shall comply with all requirements with respect to the disposition of the Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Construction Trust Fund shall be used solely to pay Costs of the Project and, until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 5.02. Disbursements from the Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

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

Except as provided in Section 5.01 hereof, disbursements from the Construction Trust Fund shall be made only after submission to and approval from, the Authority and DEP of the following:

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

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

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Until disbursed by the Issuer, moneys in the Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, any balance remaining in the Construction Trust Fund shall be applied as directed by DEP.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith by a lien on the Net Revenues derived from the operation of the System collected by the Issuer and authorized by a Recommended Decision of the Public Service Commission of West Virginia in Case No. 98-0174-PSD-CN, dated January 12, 1999. The Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Series 1999 Bond Sinking Fund, including the Series 1999 Bond Reserve Account therein, and all other payments provided for in the Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Resolution.

Section 6.04. Rates. Prior to issuance of the Bonds, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or will be established, all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated

reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds; provided that, in the event that an amount at least equal to or in excess of the 1999 Bonds Reserve Requirement is on deposit in the Series 1999 Bond Reserve Account, such balance each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds.

Section 6.05. Completion, Operation and Maintenance; Schedule of Costs. The Issuer will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Resolution.

Upon completion of the Project, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Project and sources of funds therefor.

Section 6.06. Sale of the System. Except as otherwise required by state law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Outstanding Bonds and effectively defease this Resolution in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bonds, immediately be remitted to the Commission for deposit in the Series 1999 Bond Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Outstanding Bonds. Any balance remaining after the payment of all the Outstanding Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement

Account. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority and DEP, be remitted by the Issuer to the Commission for deposit in the Series 1999 Bond Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds. Such payment of such proceeds into the Series 1999 Bond Sinking Fund or the Renewal and Replacement Account shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of DEP and the Holders, or their duly authorized representatives, of sixty-six and two-thirds percent (66²/₃%) in amount of the Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by DEP and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.07 and in Section 6.08B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 1999 Bond Reserve Account and the Renewal and Replacement Account at the time of the issuance of such subordinate obligations have been made and are current.

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

Section 6.08. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System,

shall be issued after the issuance of the Bonds issued pursuant to this Resolution, except under the conditions and in the manner herein provided. No Parity Bonds shall be issued without the prior written consent of the Authority and DEP.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of the System or extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

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

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

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

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

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have

entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

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

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

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

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

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 6.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Project as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Bonds should be insufficient, together with other funds lawfully available

therefor, to pay all costs of acquisition, construction and equipping of the Project; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the acquisition, construction and equipping costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority and DEP.

Section 6.09. Books, Records and Facilities. 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 DEP and any Holder of a Bond or Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall permit the Authority and DEP, or their agents and representatives, to inspect all records pertaining to the acquisition, construction and equipping and operation of the System at all reasonable times following completion of acquisition, construction and equipping 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 accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

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

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

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

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

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

The Issuer shall also, during acquisition, construction and equipping of the Project and for two (2) years following the completion of the Project, complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and made a part hereof, and forward a copy by the 15th of each month to the Authority and DEP.

The Issuer shall provide DEP with all appropriate documentation to comply with any special conditions established by federal and/or State regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

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

Section 6.10. Compliance With Loan Agreement, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, DEP or other state, federal or local bodies in regard to the acquisition, construction and equipping and construction of the Project and operation, maintenance and use of the System.

Section 6.11. Operating Budget and Audit. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to DEP, the Authority and to any Holder of any Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to DEP and to any Holder of any Bond, or anyone acting for and on behalf of such Holder of any Bonds.

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

Section 6.12. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the acquisition, construction and equipping of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and drawings prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and acquisition, construction and equipping, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit the Recipient As-Built Plans, as

defined in the SRF Regulations, to it within sixty (60) days of the completion of the Project. The Issuer shall notify DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," the form of which is attached to the Loan Agreement as Exhibit A, to DEP within sixty (60) days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is ninety percent (90%) completed.

The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is twenty-five percent (25%) complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify DEP in writing of the certified operator employed at the twenty-five percent (25%) completion stage.

Section 6.13. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.14. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

Section 6.15. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. 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 6.16. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer and its contractors and subcontractors will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, ON ALL above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Account and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Account. 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 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 Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (100%)

of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

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

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

B. The Issuer shall 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 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.

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

Section 6.17. Statutory Mortgage. For the further protection of the holder of the Bonds, a statutory mortgage lien upon the System and Net Revenues is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Bonds.

Section 6.18. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a thirty (30) day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction, provided that Issuer gives no assurance of compliance with these requirements for parties outside the limits of the Issuer.

Section 6.19. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all applicable laws, rules and regulations issued by DEP, the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

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

Section 6.20. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded

by Section 103(a) of the Code by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

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

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

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

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

Section 6.21. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

Section 6.22. Securities Law 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 6.23. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the acquisition, construction and equipping and financing of the Project and operation of the System, and the Authority and DEP shall receive an opinion of counsel to the Issuer to such effect.

ARTICLE VII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 7.01 and in Section 7.02 and 7.03.

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

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

Section 7.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal Information Return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance

of the Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder, and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code or such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within fifteen (15) days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would

make the Bonds subject to rebate. The Issuer shall furnish to the Authority such information with respect to earnings on all moneys constituting "Gross Proceeds" of the Bonds (as such term is defined in the Code) from time to time as the Authority may request. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as defined in the Code).

The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority and shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as that term is defined in the Code) from time to time as the Authority may request.

Section 7.04. Restriction of Yield and Bond Proceeds. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

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

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

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

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of Outstanding 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 past due and unpaid principal or interest, (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 Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Outstanding 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 Outstanding Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Resolution with respect to the Outstanding Bonds, or the rights of such Registered Owners.

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bond and interest and the deposits into the funds and

accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect

to the Bonds only the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

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

ARTICLE X

INTERIM FINANCING

Section 10.01. Authorization and General Terms. In order to pay certain costs of the Project pending receipt of proceeds, grant receipts or other funds, the Issuer may issue and sell its Note or Notes (the "Bond Notes"), in an aggregate principal amount not to exceed \$429,090. The Notes may be issued as evidence of a line of credit from a commercial bank or other lender, at the discretion of the Issuer, and as shall be set forth in a Supplemental Resolution. The Bond Notes shall bear interest from the date or dates, at such rate or rates, payable on such date or dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in a Supplemental Resolution.

Section 10.02. Terms of and Security for Bond Notes. The Bond Notes, if issued, shall be issued with such terms and secured in the manner set forth in a Supplemental Resolution.

Section 10.03. Bond Notes are Special Obligations. The Bond Notes shall be special obligations of the Issuer payable as to principal and interest solely from Bond Proceeds, grant receipts, surplus revenues, letter of credit proceeds, if any, and other sources. The Bond Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable and neither the full faith and credit nor the taxing power of the Issuer is pledged for the payment of the Bond Notes. The holders of the Bond Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Bond Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in a Supplemental Resolution.

Section 10.04. Execution of Documents. The Bond Notes, Credit Agreement and any other documents required to be executed by the commercial bank or other lender shall be executed in the name of the Issuer by the Chairman, and the Chairman and Secretary are hereby authorized to execute any Bond Note, Bond Notes, Credit Agreement or any other documents necessary to secure the interim financing.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66 2/3% or more in principal amount of the Bonds so affected and then Outstanding and DEP and the Authority; provided, that no change shall be made in the maturity of any Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from gross income of the holders thereof.

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

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

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

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

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

Section 11.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

Section 11.08. Statutory Notice of Meeting and Bond Issue. Notice of the date, time and place of the meeting at which the Governing Body considered this Resolution for adoption was given at least ten (10) days in advance thereof by Class I legal advertisement in The Jackson Herald, a newspaper of general circulation in the area served by the Issuer.

UNANIMOUSLY ADOPTED THIS 8th DAY OF FEBRUARY, 1999

COTTAGEVILLE PUBLIC SERVICE DISTRICT

[SEAL]

By:

Lester B. Smith
Chairman

ATTEST:

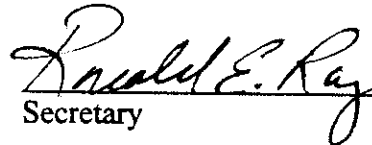
Ronald E. Ray
Secretary

CERTIFICATION

The undersigned does hereby certify that the attached Resolution is a true and accurate copy of an Resolution duly enacted by the Public Service Board of the COTTAGEVILLE PUBLIC SERVICE DISTRICT on February 8, 1999, and that the foregoing document remains in full force and effect and has not been amended.

Dated: February 8, 1999.

[SEAL]


Secretary

LOAN AGREEMENT

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

COTTAGEVILLE PUBLIC SERVICE DISTRICT
(Local Government)

WITNESSETH:

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

WHEREAS, pursuant to the provisions of Chapter 20, Article 5I, of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

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

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

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of

wastewater treatment projects by such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

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

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

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

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

WHEREAS, the Local Government has completed and filed with the Authority and DEP an Application for a Loan with attachments and exhibits and an Amended Application for a 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 the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program.

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

ARTICLE I

Definitions

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

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

1.3 "Loan" means the loan to be made by the Authority and DEP to the Local Government through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

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

2.4 The Local Government agrees that the Authority and DEP and their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Local Government further agrees that the Authority and DEP and their respective duly authorized agents shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and DEP with respect to the System pursuant to the pertinent provisions of the Act.

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

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

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

2.8 The Local Government shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and DEP. Until the Project facilities are completed and accepted by the Local Government, the Local Government or (at the option of the Local Government) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Local Government, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Local Government on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding. Prior to commencing operation of the Project, the Local Government must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

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

2.10 The Local Government shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Local Government agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of this Loan Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 25% completion stage.

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

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

(f) The Local Government shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

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

(h) The Local Government shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project) with all requisite appeal periods having expired, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

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

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

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority and DEP, including the SRF Regulations, or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Local Government and the Local Government shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Local Government 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 Local Government by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority, DEP and the Local Government. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date set forth in Exhibit E hereto.

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for loans to finance wastewater treatment projects and that the obligation of the Authority to make any such loan is subject to the Local Government's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other local governments set out in the State Project Priority List, as defined in the SRF Regulations. The

Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions established by federal and state regulations as set forth in Exhibit E hereto at such times as are set forth in Exhibit E.

ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the net revenues from the System;

(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 established for the payment of debt service on the Local Bonds is funded (whether by Local Bond proceeds, monthly deposits or otherwise) the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or the Regulations, the System may be sold, mortgaged, leased or otherwise disposed of as a whole or substantially as a whole provided that the net proceeds to be realized from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the local bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

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

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

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

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

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

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

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

(xi) That the Local Government shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and DEP, which report shall include a statement that the Local Government is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Local Government's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

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

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

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

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

(xvi) That the Local Government shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the West Virginia Municipal Bond Commission (the "Commission") its required interest, principal and reserve fund payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check to the Authority by the 5th day of such calendar month;

(xvii) That the Commission shall serve as paying agent for all Local Bonds;

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

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

(xx) That the Local Government shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will

not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider.

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

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

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

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

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

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

ARTICLE V

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

5.1 The Local Government hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Local Government hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Local Government hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to Section 4.2 hereof, 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 Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by local governments in the terms and covenants of loan agreements, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have

recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

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

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

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

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

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

ARTICLE VII

Miscellaneous

7.1 Schedule 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 Local Government supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.2 If any provision of this 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.

7.3 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.

7.4 No waiver by any 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.

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

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

7.7 This Loan Agreement shall terminate upon the earlier of:

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

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

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

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.

Cottageville Public Service District
[Proper Name of Local Government]

(SEAL)

By: Lester R. Smeltz
Its: Chairman

Attest:

Date: February 8, 1999

Donald E. Fay
Its Secretary

WEST VIRGINIA DIVISION OF
ENVIRONMENTAL PROTECTION

By: Barbara B. Meadnes
Its: Chief

Date: 2/12/99

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: Daniel B. Gankovsky
Its: Director

Attest:

Date: February 8, 1999

Barbara B. Meadnes
Secretary-Treasurer

EXHIBIT A

[Form of Performance Certificate]

[TO BE PROVIDED BY DEP]

EXHIBIT B

[Form of Monthly Financial Report]

[Name of Local Government]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

	<u>ITEM</u>	<u>CURRENT MONTH</u>	<u>YEAR TO DATE</u>	<u>BUDGET YEAR TO DATE</u>	<u>BUDGET DIFFERENCE</u>
1.	Gross Revenues Collected				
2.	Operation and Maintenance Expense				
3.	Other Bond Debt Payments (including Reserve Fund deposits)				
4.	SRF Bond Payments (include Reserve Fund deposits)				
5.	Renewal and Replacement Fund Deposit				
6.	Funds available for capital construction				

Witnesseth my signature this ____ day of _____, ____.

[Name of Local Government]

By: _____
Authorized Officer

EXHIBIT C

PAYMENT REQUISITION FORM

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

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, hereby certify that my firm is engineer for the acquisition and construction of _____ to the _____ system (herein called the "Project") of _____ (the "Issuer") to be constructed primarily in _____ County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the meaning set forth in the _____ passed by the _____ of the Issuer on _____, 19____, effective _____, 19____, and the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection ("DEP") dated _____, 19____.

1. The Bonds are being issued for the purpose of _____
_____ (the "Project").

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least twenty years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the _____ of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (vi) 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 irrevocably committed therefor, are sufficient to pay the costs of construction and

acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

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

By _____

West Virginia License No. ____

[SEAL]

EXHIBIT E

SPECIAL CONDITIONS

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

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) - The loan recipient that receives \$300,000 or more in a fiscal year must obtain audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133 or any appropriate successor. Financial statement audits are required once all funds have been received by the loan recipient.

EXHIBIT F

[Monthly Payment Form]

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

Re: [Name of bond issue]

Dear Sirs:

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

Sinking Fund:

Interest \$_____

Principal \$_____

Total: \$_____

Reserve Fund: \$_____

Witness my signature this ____ day of _____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

[Opinion of Bond Counsel for Local Government]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19__, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Local Government and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Local Government, dated _____, 19__ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable _____ 1, _____ 1, _____ 1, and _____ 1 of each year, beginning _____ 1, 19__, at the respective rate or rates and with principal payable in installments on _____ 1 in each of the years, all as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
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The Local Bonds are issued for the purpose of _____ and 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 enacted by the Local Government on _____ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that 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 Local Government and is a valid and binding special obligation of the Local Government enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Local Government without the consent of the Authority.
3. The Local Government is a duly organized and presently existing _____, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.
4. The Local Government has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
5. The Local Bonds are valid and legally enforceable special obligations of the Local Government, payable from the net revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the net revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.
6. The Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

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

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$ 429,090
Purchase Price of Bonds	\$ 429,090

Interest on the Bonds shall be zero percent from the date of delivery to and including August 31, 2000. Principal and interest on the Bonds is payable quarterly, commencing Dec. 1, 2000, at a rate of 2% per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has [other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds] or [provide list of outstanding debt]. (See attached schedule)

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

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal and interest and such Bonds shall grant the Authority a first lien on the net revenues of the Local Government's system.

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

SCHEDULE Y

Cottageville Public Service District, WV

CWSRF Loan C-544064

\$429,090; 2% Interest Rate; 1% Administrative Fee; 20 Years

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
3/01/1999	-	-	-	-
6/01/1999	-	-	-	-
9/01/1999	-	-	-	-
12/01/1999	-	-	-	-
3/01/2000	-	-	-	-
6/01/2000	-	-	-	-
9/01/2000	-	-	-	-
12/01/2000	4,375.00	2.000%	2,145.45	6,520.45
3/01/2001	4,397.00	2.000%	2,123.58	6,520.58
6/01/2001	4,419.00	2.000%	2,101.59	6,520.59
9/01/2001	4,441.00	2.000%	2,079.50	6,520.50
12/01/2001	4,464.00	2.000%	2,057.29	6,521.29
3/01/2002	4,486.00	2.000%	2,034.97	6,520.97
6/01/2002	4,508.00	2.000%	2,012.54	6,520.54
9/01/2002	4,531.00	2.000%	1,990.00	6,521.00
12/01/2002	4,554.00	2.000%	1,967.35	6,521.35
3/01/2003	4,576.00	2.000%	1,944.58	6,520.58
6/01/2003	4,599.00	2.000%	1,921.70	6,520.70
9/01/2003	4,622.00	2.000%	1,898.70	6,520.70
12/01/2003	4,645.00	2.000%	1,875.59	6,520.59
3/01/2004	4,669.00	2.000%	1,852.37	6,521.37
6/01/2004	4,692.00	2.000%	1,829.02	6,521.02
9/01/2004	4,715.00	2.000%	1,805.56	6,520.56
12/01/2004	4,739.00	2.000%	1,781.99	6,520.99
3/01/2005	4,763.00	2.000%	1,758.29	6,521.29
6/01/2005	4,786.00	2.000%	1,734.48	6,520.48
9/01/2005	4,810.00	2.000%	1,710.55	6,520.55
12/01/2005	4,834.00	2.000%	1,686.50	6,520.50
3/01/2006	4,859.00	2.000%	1,662.33	6,521.33
6/01/2006	4,883.00	2.000%	1,638.03	6,521.03
9/01/2006	4,907.00	2.000%	1,613.62	6,520.62
12/01/2006	4,932.00	2.000%	1,589.08	6,521.08
3/01/2007	4,957.00	2.000%	1,564.42	6,521.42
6/01/2007	4,981.00	2.000%	1,539.64	6,520.64
9/01/2007	5,006.00	2.000%	1,514.73	6,520.73
12/01/2007	5,031.00	2.000%	1,489.70	6,520.70
3/01/2008	5,056.00	2.000%	1,464.55	6,520.55
6/01/2008	5,082.00	2.000%	1,439.27	6,521.27
9/01/2008	5,107.00	2.000%	1,413.86	6,520.86
12/01/2008	5,133.00	2.000%	1,388.32	6,521.32
3/01/2009	5,158.00	2.000%	1,362.66	6,520.66
6/01/2009	5,184.00	2.000%	1,336.87	6,520.87
9/01/2009	5,210.00	2.000%	1,310.95	6,520.95
12/01/2009	5,236.00	2.000%	1,284.90	6,520.90
3/01/2010	5,262.00	2.000%	1,258.72	6,520.72
6/01/2010	5,289.00	2.000%	1,232.41	6,521.41
9/01/2010	5,315.00	2.000%	1,205.96	6,520.96

Cottageville Public Service District, WV
CWSRF Loan C-544064
\$429,090; 2% Interest Rate; 1% Administrative Fee; 20 Years

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2010	5,342.00	2.000%	1,179.39	6,521.39
3/01/2011	5,368.00	2.000%	1,152.68	6,520.68
6/01/2011	5,395.00	2.000%	1,125.84	6,520.84
9/01/2011	5,422.00	2.000%	1,098.86	6,520.86
12/01/2011	5,449.00	2.000%	1,071.75	6,520.75
3/01/2012	5,476.00	2.000%	1,044.51	6,520.51
6/01/2012	5,504.00	2.000%	1,017.13	6,521.13
9/01/2012	5,531.00	2.000%	989.61	6,520.61
12/01/2012	5,559.00	2.000%	961.95	6,520.95
3/01/2013	5,587.00	2.000%	934.16	6,521.16
6/01/2013	5,615.00	2.000%	906.22	6,521.22
9/01/2013	5,643.00	2.000%	878.15	6,521.15
12/01/2013	5,671.00	2.000%	849.93	6,520.93
3/01/2014	5,699.00	2.000%	821.58	6,520.58
6/01/2014	5,728.00	2.000%	793.08	6,521.08
9/01/2014	5,757.00	2.000%	764.44	6,521.44
12/01/2014	5,785.00	2.000%	735.66	6,520.66
3/01/2015	5,814.00	2.000%	706.73	6,520.73
6/01/2015	5,843.00	2.000%	677.66	6,520.66
9/01/2015	5,873.00	2.000%	648.45	6,521.45
12/01/2015	5,902.00	2.000%	619.08	6,521.08
3/01/2016	5,931.00	2.000%	589.57	6,520.57
6/01/2016	5,961.00	2.000%	559.92	6,520.92
9/01/2016	5,991.00	2.000%	530.11	6,521.11
12/01/2016	6,021.00	2.000%	500.16	6,521.16
3/01/2017	6,051.00	2.000%	470.05	6,521.05
6/01/2017	6,081.00	2.000%	439.80	6,520.80
9/01/2017	6,112.00	2.000%	409.39	6,521.39
12/01/2017	6,142.00	2.000%	378.83	6,520.63
3/01/2018	6,173.00	2.000%	348.12	6,521.12
6/01/2018	6,204.00	2.000%	317.26	6,521.26
9/01/2018	6,235.00	2.000%	286.24	6,521.24
12/01/2018	6,266.00	2.000%	255.06	6,521.06
3/01/2019	6,297.00	2.000%	223.73	6,520.73
6/01/2019	6,329.00	2.000%	192.25	6,521.25
9/01/2019	6,360.00	2.000%	160.60	6,520.60
12/01/2019	6,392.00	2.000%	128.80	6,520.80
3/01/2020	6,424.00	2.000%	96.84	6,520.84
6/01/2020	6,456.00	2.000%	64.72	6,520.72
9/01/2020	6,488.00	2.000%	32.44	6,520.44
Total	429,090.00	-	92,582.37	521,672.37 *

*Plus \$578.64 one-percent administrative fee paid quarterly. Total fee paid over the life of the loan is \$46,291.20.

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

GENERAL CERTIFICATE

1. **TERMS**
2. **NO LITIGATION**
3. **GOVERNMENTAL APPROVALS AND BIDDING**
4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS**
5. **SIGNATURES**
6. **INCUMBENCY AND OFFICIAL NAME**
7. **LOAN AGREEMENT**
8. **PUBLIC SERVICE COMMISSION ORDER**
9. **LAND AND RIGHTS-OF-WAY**
10. **MEETINGS**
11. **INSURANCE**
12. **RATES**
13. **TRUTH AND ACCURACY**
14. **SPECIMEN BOND**
15. **BOND PROCEEDS**
16. **PRIVATE USE OF FACILITIES**
17. **NO FEDERAL GUARANTY**
18. **IRS INFORMATION RETURN**
19. **CONFLICT OF INTEREST**
20. **CLEAN WATER ACT**
21. **COUNTERPARTS**
22. **YEAR 2000 COMPLIANCE**

We, the undersigned **CHAIRMAN** and **SECRETARY** of the **COTTAGEVILLE PUBLIC SERVICE DISTRICT**, Jackson County, West Virginia (the "District"), and the undersigned **ATTORNEY** for said District, hereby certify in connection with the Cottageville Public Service District, Sewer Revenue Bond, Series 1999 (State Revolving Fund) (the "Bond"), in the aggregate principal amount of \$429,090, numbered R-1, dated the date hereof and bearing interest at the rate of two percent (2%) per annum, plus an annual administrative fee of one percent (1%) payable quarterly, as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as in the Resolution adopted by the Public Service Board (the "Board") on February 8, 1999 (the "Resolution"), and the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection ("DEP") and the West Virginia Water Development Authority (the "Authority"), dated February 8, 1999.

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 the issuance and delivery of the Bond; nor questioning the proceedings and authority by which the Board authorized the issuance and sale of the Bond; nor affecting the validity of the Bond or any provisions made or authorized for the payment thereof, including, but not limited to the pledge of Net Revenues of the System for such payment; nor questioning the existence of the District or the title of the members or officers of the District or the Public Service Board to their respective offices; nor questioning the acquisition, construction and equipping of certain additions, betterments and improvements to the sewer system facilities of the District (the "System"), which is being financed out of the proceeds of sale of the Bond.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable approvals and certificates required by law for the acquisition, construction and equipping of the Project, the operation of the System and the issuance of the Bond have been or will be duly and timely obtained and remain in full force and effect, including approval by the Public Service Commission of West Virginia. Competitive bids for construction of the Project will be solicited in accordance with West Virginia law.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the District or the System since the approval, execution and delivery by the District of the Loan Agreement, among the Authority, DEP and the District. There has been no adverse change in the financial condition of the District or the System since the approval by the Authority and DEP of a loan to assist in the acquisition, construction and equipping of the Project. There has been no change in the status of the grants made available to the District to fund a portion of the costs of the Project.

5. **SIGNATURES:** The undersigned CHAIRMAN and SECRETARY are the duly elected, qualified and serving officers as indicated by the official titles opposite their signatures below, are duly authorized to execute and seal the Bond for the District, and on the date hereof have signed and sealed the Bond for the District. The seal appearing hereon and on the Bond is the only official seal of the District.

6. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the District is "Cottageville Public Service District", and it is a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia in Jackson County of said State. The governing body of the District is the Chairman, Secretary and its Board consisting of three (3) Board Members, whose names, terms and offices are as follows:

<u>Name</u>	<u>Date of Termination of Office</u>	<u>Office</u>
Lester R. Smith	November 1, 2000	Chairman and Member
Ronald E. Ray	September 1, 2000	Secretary and Member

The duly appointed and acting Attorney for the District is Michael I. Spiker, Charleston, West Virginia.

7. **LOAN AGREEMENT:** As of the date hereof, (i) representations of the District 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 statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the District 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 is necessary to be disclosed therein in order to make the statements and information contained therein not misleading; and (iv) the District ratifies and reaffirms all the covenants made in the Loan Agreement as if they were specifically set forth herein.

8. **PUBLIC SERVICE COMMISSION ORDER:** The District covenants that it has filed any information with the PSC and taken any other actions required to maintain the PSC Recommended Decision entered on January 12, 1999, which became a Final Order on February 1, 1999, in Case No. 98-0174-PSD-CN, in full force and effect, with the time for rehearing having expired.

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

10. **MEETINGS:** All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the District in any way connected with the acquisition, construction, equipping and financing of the Project and the operation of the System were authorized or adopted at meetings of the Board duly called and held pursuant to all applicable statutes and the customary 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 District will maintain or, as appropriate, will require all contractors to maintain Workers' Compensation, public liability and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Loan Agreement and the Resolution.

12. **RATES:** Based upon the rates approved in the PSC's Recommended Decision and upon information submitted by the Consulting Engineers, the rates and charges for the System which were authorized on January 18, 1999, and remain in full force and effect, will, so long as the Bond is outstanding, provide Net Revenues sufficient to pay (a) the interest upon the Bond, (b) the necessary fiscal agency charges, (c) the principal amount of the Bond at or before its maturity, (d) a margin of safety or reserve for such Bond and for the payment into the reserve account created on account of the Bond, and (e) meet the requirements set forth in the Loan Agreement.

13. **TRUTH AND ACCURACY:** As of the date hereof, Lester R. Smith, Chairman, and Ronald E. Ray, Secretary, hereby certify that the copies of documents previously or on the date hereof certified by them as being true and accurate are true and accurate as of the date hereof and that none of such documents have been repealed, rescinded, amended or otherwise modified.

14. **SPECIMEN BOND:** Attached hereto as Exhibit A is a specimen of the Bond which, except as to execution and authentication, is identical in all respects with such Bond this day delivered to the Authority and being substantially in the form prescribed in the Resolution.

15. **BOND PROCEEDS:** On the date hereof, the Issuer received \$96,792.00 from the Authority and DEP, being a portion of the principal amount of the Bond and more than a de minimis amount of the proceeds of the Bond. The balance of the principal amount of the Bond will be advanced to the District as acquisition, construction and equipping of the Project progresses.

16. **PRIVATE USE OF FACILITIES:** The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Bond and the interest thereon. Less than ten percent (10%) of the proceeds of the Bond will be used, directly or indirectly, for any private business use, and less than ten percent (10%) of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Bond will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bond, including the disproportionate related business use of the proceeds of the Bond, and none of the payment of principal on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Bond. None of the proceeds of the issue of the Bond will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person, including related persons, other than a governmental unit or other than use as a member of the general public. All of the foregoing shall be

determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder (the "Code").

17. **NO FEDERAL GUARANTY:** The Bond is not and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

18. **IRS INFORMATION RETURN:** On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania.

19. **CONFLICT OF INTEREST:** No officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bond, 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 five percent (5%) of the particular business enterprise or contract.

20. **CLEAN WATER ACT:** The project as described in the Resolution complies with Sections 208 and 303(e) of the Clean Water Act.

21. **COUNTERPARTS:** This Certificate may be executed in counterpart, and such parts shall be deemed to be the Certificate.

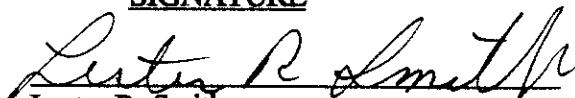
22. **YEAR 2000 COMPLIANCE:** The District represents that it has undertaken or will undertake an investigation to determine whether the operations of the System, including but not limited to any billing, collection and inventory computer programs of the System and any electronic and mechanical components of the System's wastewater collection and treatment facilities, are Year 2000 Compliant. The District further represents that if it determines as a result of this investigation that any Mission-Critical Component of the System is not Year 2000 Compliant, the District (i) will take timely and affirmative action to repair or replace any such component, and (ii) will perform adequate testing to ensure the sound operation and Year 2000 Compliant status of the repaired or replaced component. For purpose of this paragraph, "Year 2000 Compliant" means, with respect to the information technology the District uses or will use in the operation of the System (including any data-sensitive microprocessors embedded in electronic or mechanical components of the System), the information technology is designed to be used prior to, during and after calendar Year 2000 A.D., and the information technology used during each such time period will accurately receive, provide and process data-time data (including, but not limited to, calculating, comparing and sequencing) from , into and between the twentieth and twenty-first centuries, including the years 1999 and 2000, and leap-year calculations, and will not malfunction, cease to function, or provide invalid or incorrect results as a result of data-time data. For purposes of this paragraph, "Mission-Critical Component" means any component of the System that would be critical to (a) the System's continued operation after January 1, 2000; (b) the District's ability to continue to bill its customers and collect amounts billed from those

customers after January 1, 2000; or (c) the District's ability to make all principal and interest payments for the Bonds contemplated by the Resolution as and when they become due.

WITNESS our signatures and the official seal of the Cottageville Public Service District on the 24th day of February, 1999.

SIGNATURE

OFFICIAL TITLE


Lester R. Smith

Chairman


Ronald E. Ray

Secretary

Goodwin & Goodwin, LLP

By:


Michael I. Spiker

Attorney

Exhibit A

(Specimen Bond-See Tab 31)

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS
SERIES 1999
(STATE REVOLVING FUND)

CERTIFICATE AS TO USE OF GRANT AND BOND PROCEEDS

The Chairman and Secretary of the Cottageville Public Service District (the "District") hereby certify on behalf of the District as follows:

The District has received and will expend grant proceeds from the Economic Development Administration in the amount of \$980,000, from the Appalachian Regional Commission in the amount of \$573,300 and from the Division of Environmental Protection ("DEP") in the amount of \$87,823. The District will receive bond proceeds from DEP in the amount of \$429,090.

IN WITNESS WHEREOF, we have affixed our signatures and the seal of the District this 24th day of February, 1999.

COTTAGEVILLE PUBLIC SERVICE DISTRICT

[SEAL]

By: Lester R. Smith

Chairman

Attest:

By: Ronald E. Ry

Secretary

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

CERTIFICATE OF CONSULTING ENGINEER

I, Paul V. Amburgey, Registered Professional Engineer, West Virginia License No. 9651 of WOOLPERT, LLP, Consulting Engineers, Charleston, West Virginia, hereby certify that my firm is engineer for the acquisition, construction and equipping of certain additions, betterments and improvements to the sewer system (herein called the "Project") of the Cottageville Public Service District (the "Issuer"), located in Jackson County, West Virginia, which acquisition, construction and equipping cost is being financed by the above-captioned bond (the "Bond") of the Issuer. Capitalized terms used and not otherwise defined herein shall have the meaning assigned to such terms in the Resolution adopted by the Public Service Board of the Issuer on February 8, 1999 (the "Resolution"), and the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection ("DEP") dated February 8, 1999.

1. The Bond is being issued for the purpose of repaying design costs, financing the costs of the Project and to pay costs of issuance.

2. The undersigned hereby certifies that to the best of his knowledge after due inquiry (i) the Project will consist of the acquisition, construction and equipping of a new sewer system based upon approved plans and specifications which were prepared by my firm as described in and in accordance with the application submitted to the Authority requesting the Authority to purchase the Bond (the "Application") and which have been or will be approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it will be constructed and will have an estimated useful life of at least twenty (20) years. The waste water treatment plant has a 20 year useful life based on the proposed Phase I Sewer Service area. Should additional Phases, service to new areas be provided in the future, an addition to the waste water treatment plant may be required, as included in the "Facilities Plan Report" for the project as approved by the West Virginia Division of Environmental Protection, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the chosen bidder received any and all addenda to the original bid documents, (v) the bid documents reflect the Project as approved by the West Virginia Division of Environmental Protection; (vi) the chosen bid includes every construction item necessary to complete the Project, or explains any deviation thereof, (vii) the uniform bid procedures were followed, (viii) the Issuer has obtained or will obtain all permits required by the laws of the State and the federal government necessary for the construction of the Project, (ix) the net proceeds of the Bond, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are or will be sufficient to pay the costs of acquisition, construction and equipping of the Project as set forth in the Application, and (x) attached

hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 24th day of February 1999.

WOOLPERT, LLP

By:

Paul Amburgey

Its:

Assoc. Partner

West Virginia License No. 9651

[SEAL]

NAME OF GOVERNMENTAL AGENCY Division of Environmental Protection

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

Cottageville Public Service District	A. Cost of Project	(Total)
1. Construction	\$ 1,562,646.00	
2. Technical Services	\$ 206,123.00	
3. Legal and Fiscal	\$ 10,000.00	
4. Administrative	\$ 20,000.00	
* 5. Site and Other Lands	\$ 29,000.00	
** 6. Fac. Plan/Design or Other Loan Repayment (Specify Type: <u>Facility</u> <u>Plan, WDA Loan, IJDC Loan</u>)	\$ 165,317.00	
7. Interim Financing Costs	\$ 7,361.00	
8. Contingency	\$ 62,766.00	
9. Total of Lines 1 Through 8		\$ 2,063,213.00
B. Sources of Funds		
10. Federal Grants: ¹	\$	
(Specify Sources) <u>EDA</u>	\$ 980,000.00	
11. State Grants: ¹	\$	
(Specify Sources) <u>WVDEP</u>	\$	
12. Other Grants: ¹	\$	
(Specify Sources) <u>PLANNING</u>	\$ 87,823.00	
13. Any Other Source ²	\$	
(Specify) <u>ARC</u>	\$ 573,300.00	
14. Total of Lines 10 Through 13		\$ 1,641,123.00
15. Net Proceeds Required from Bond Issue (Line 9 minus Line 14)		\$ 422,090.00
C. Cost of Financing		
16. Capitalized Interest	\$ -0-	
(Construction period plus six months)		
17. Funded Reserve Account: ³	\$ -0-	
18. Other Costs: ⁴ <u>Bond Counsel</u>	\$ 7,000.00	
19. Total Cost of Financing (lines 16 - 18)	\$ 7,000.00	
20. Size of Bond Issue (Line 15 plus Line 19)		\$ 429,090.00

* not allowable for State Revolving Fund Assistance
** WDA loans are not allowable

Lester R. Smith
Signature of Applicant
Lester R. Smith, Chairman
Date 2/24/99

Paul V. Amburgey
Signature of Consulting Engineer
Paul V. Amburgey, PE
Date 2/24/99

APPENDIX A

NAME OF GOVERNMENTAL AGENCY Division of Environmental Protection

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

Cottageville Public Service District	A. Cost of Project	(SRF Funds Only)
1. Construction	\$	<u>269,532.00</u>
2. Technical Services	\$	<u>-0-</u>
3. Legal and Fiscal	\$	<u>-0-</u>
4. Administrative	\$	<u>-0-</u>
* 5. Site and Other Lands	\$	<u>-0-</u>
** 6. Fac. Plan/Design or Other Loan Repayment (Specify Type: <u>IJDC Loan</u>)	\$	<u>89,792.00</u>
7. Interim Financing Costs	\$	<u>-0-</u>
8. Contingency	\$	<u>62,766.00</u>
9. Total of Lines 1 Through 8		\$ <u>422,090.00</u>
B. Sources of Funds		
10. Federal Grants: ¹ _____	\$	_____
(Specify Sources) _____	\$	_____
11. State Grants: ¹ _____	\$	_____
(Specify Sources) _____	\$	_____
12. Other Grants: ¹ _____	\$	_____
(Specify Sources) _____	\$	_____
13. Any Other Source ² _____	\$	_____
(Specify) _____	\$	_____
14. Total of Lines 10 Through 13		\$ <u>-0-</u>
15. Net Proceeds Required from Bond Issue (Line 9 minus Line 14)		\$ <u>422,090.00</u>
C. Cost of Financing		
16. Capitalized Interest (Construction period plus six months)	\$	<u>-0-</u>
17. Funded Reserve Account: ³	\$	<u>-0-</u>
18. Other Costs: ⁴ Bond Counsel	\$	<u>7,000.00</u>
	\$	_____
19. Total Cost of Financing (lines 16 - 18)	\$	<u>7,000.00</u>
20. Size of Bond Issue (Line 15 plus Line 19)		\$ <u>429,090.00</u>

* not allowable for State Revolving Fund Assistance
 ** WDA loans are not allowable

Lester R. Smith
 Signature of Applicant
 Lester R. Smith, Chairman
 Date 2/24/99

Paul V. Amburgey
 Signature of Consulting Engineer
 Paul V. Amburgey, PE
 Date 2/24/99

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS
SERIES 1999
(STATE REVOLVING FUND)

ENGINEER'S CERTIFICATE

I, Paul V. Amburgey, Engineer, West Virginia License No. 9651, Woolpert, LLP, Charleston, West Virginia, have reviewed the sewer service rates which were adopted by the Cottageville Public Service District (the "District"), pursuant to a Tariff issued on February 4, 1999 (the "Tariff"). It is my opinion that the schedule of rates set forth in the Tariff are adequate to pay estimated operation and maintenance expenses of the System, as defined in the Bond Resolution and as projected by my firm, to pay the principal of and interest on the Bond, as defined in the Bond Resolution, and to meet the one hundred fifteen percent (115%) debt service coverage requirement of the Bond and the Bond Resolution adopted by the Public Service Board of the District and effective on February 8, 1999, and are sufficient to comply with the provisions of the Loan Agreement entered into among the District, the West Virginia Water Development Authority and the West Virginia Division of Environmental Protection dated February 8, 1999.

WITNESS my signature as of this 24th day of February, 1999.

WOOLPERT, LLP

By: _____

Paul V. Amburgey, Engineer

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS,
SERIES 1999
(STATE REVOLVING FUND)

NON-ARBITRAGE CERTIFICATE

I, Lester R. Smith, Chairman of the Public Service Board of the Cottageville Public Service District (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$429,090 aggregate principal amount of Sewer Revenue Bonds, Series 1999 (State Revolving Fund), of the Issuer, dated February 24, 1999 (the "Bond"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and applicable regulations (the "Code"). I am one of the officers of the Issuer 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.
2. This certificate may be relied upon as the certificate of the Issuer.
3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of the Issuer as an issuer that may not certify its bonds, of any certification which may not be relied upon by holders of obligations of the Issuer or of any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.
4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on February 24, 1999, the date on which the Bond is to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.
5. In the Resolution pursuant to which the Bond is issued, the Issuer has covenanted to make no use of the proceeds of the Bond which would cause the Bond to be "arbitrage bonds" within the meaning of the Code.
6. The Bond was sold on February 24, 1999, to the West Virginia Water Development Authority (the "Authority"), for the benefit of the Division of Environmental Protection, for an aggregate purchase price of \$429,090 (100% of par).
7. The Bond is being delivered simultaneously with the delivery of this certificate and is issued for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of a new public sewer collection and treatment system of the Issuer (the "Project"); and (ii) paying costs of issuance and other costs in connection therewith.

8. The Issuer has or shall, within six (6) months following delivery of the Bond, enter into agreements which require the Issuer to spend the lesser of two and one half percent (2 1/2%) or \$100,000 of the proceeds of the Bond on the Project, constituting a substantial binding commitment, or the Issuer has already done so. Acquisition, construction and equipping of the Project will 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 February 24, 2000. Construction of the Project is expected to be completed by February 24, 2000.

9. The total cost of the Project is estimated at \$2,070,213. Sources and uses of funds for the Project are as follows:

SOURCES

Bond	\$ 429,090
DEP Grant	87,823
ARC Grant	573,300
EDA Grant	<u>980,000</u>
Total Sources	\$2,070,213

USES

Construction	\$1,562,646
Technical Services	206,123
Legal and Fiscal	10,000
Administrative	20,000
Site and Other Lands	29,000
Facility Plan	73,000
Repayment of Existing Debt (WVIJDC)	89,792
Repayment of Existing Debt (WDA)	2,525
Interim Financing Costs	7,361
Contingency	62,766
Costs of Issuance	<u>7,000</u>
Total Uses	\$2,070,213

Except for the proceeds of the Bond, no other funds of the Issuer will be available to meet costs of the project, and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

10. Pursuant to the Resolution, the following funds or accounts have been continued or created:

- (1) Project Construction Account;
- (2) Sinking Fund;
- (3) Revenue Fund;
- (4) Reserve Fund.

11. Pursuant to the Resolution, the proceeds of the Bond will be deposited in the Project Construction Account and applied solely to payment of Costs of the Project including costs of issuance of the Bond and related costs.

12. Moneys held in the Sinking Fund will not be available to meet costs of construction of the Project.

13. The Issuer will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Bond to the Authority.

14. All of the proceeds of the Bond will be expended on the Project within 12 months from the date of issuance thereof.

15. All the proceeds of the Bond which were used for the payment of costs of the Project will be expended for such purposes within 12 months of February 25, 1999.

16. 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.

17. All property financed with the proceeds of the Bond will be held for Federal income tax purposes by (or on behalf of) a qualified governmental unit.

18. The Issuer shall file Form 8038-G in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255.

19. No more than 10% of the proceeds of the Bond will be used (directly or indirectly) in any trade or business carried on by, and less than 5% of the proceeds of the Bond have been or will be used to make or finance loans to, any person who is not a governmental unit.

20. The original proceeds of the Bond will not exceed the amount necessary for the purposes of the issue.

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

22. The Issuer shall not permit at any time or times any of the proceeds of the Bond, or any other funds of the Issuer, to be used directly or indirectly in a manner which would result in the exclusion of the Bond from treatment afforded by Section 103(a) of the Code by reason of classification of the Bond as "private activity bonds" within the meaning of the Code. The Issuer will take all actions and refrain from taking such actions as shall be necessary to comply with the Code in order to ensure that interest on the Bond is excludable from gross income for federal income tax purposes.

23. The Bond, in whole or in part, will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

24. The Issuer has retained the right to amend or supplement its authorizing documents if such amendment or supplement is necessary to preserve the exclusion from gross income for federal income tax purposes of the Bond.

25. The Issuer shall comply with the yield restrictions on the proceeds of the Bond as set forth in the Code.

26. The Issuer has either (a) funded the Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bond in the then current or any succeeding year with the proceeds of the Bond, or (b) created the Reserve Account which will be funded with equal payments on a monthly basis over a 10 year period until such Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bond in the then current or any succeeding year. Moneys in the Reserve Account and the Sinking Fund (established for the annual payment of principal and interest) will be used solely to pay principal of and interest on the Bond and will not be available to pay costs of the Project.

27. The Issuer shall submit to the Authority within 15 days following the end of the Issuer's bond year a certified copy of its rebate calculation or if the Issuer qualifies for an exception to rebate, then the Issuer shall submit to the Authority a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Bond subject to rebate.

28. The Issuer expects that no part of the Project financed by the Bond will be sold or otherwise disposed of prior to the last maturity date of the Bond.

29. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bond.

30. Goodwin & Goodwin, LLP, is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bond.

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

COTTAGEVILLE PUBLIC SERVICE DISTRICT

By: Lester R. Smith
Chairman

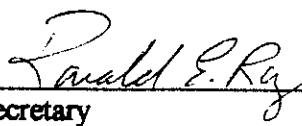
\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

**CERTIFICATE OF SECRETARY AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED**

I, Ronald E. Ray, the duly elected Secretary of the Cottageville Public Service District (the "District"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of the \$429,090 Cottageville Public Service District, Sewer Revenue Bond, Series 1999 (State Revolving Fund) (the "Bond"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the District and delivered in the transcript of proceedings, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Order Creating the District.
2. Oaths of Office of the Chairman, Secretary and Members of the Public Service Board (the "Board").
3. Sewage Rate Tariff authorized on January 18, 1999.
4. Minutes of the meeting of the Board wherein the Sewage Rate Tariff was adopted.
5. Bond Resolution (the "Resolution") adopted on February 8, 1999.
6. Minutes of the February 8, 1999 meeting of the Board wherein the Resolution was considered and approved.
7. Affidavit of publication of the abstract and notice of meeting on the Resolution published in The Jackson Herald.
8. Loan Agreement dated February 8, 1999.
9. Recommended Decision of the Public Service Commission of West Virginia entered on January 12, 1999, which became a Final Order on February 1, 1999, in Case No. 98-0174-PSD-CN.

WITNESS my signature and the official seal of the Cottageville Public Service District as of the 24th day of February, 1999.


Secretary

(SEAL)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 24th day of February, 1999, by and between COTTAGEVILLE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia (the "Issuer"), and UNITED NATIONAL BANK, a national banking association, at its office in Ripley, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$429,090 aggregate principal amount of Sewer Revenue Bond, Series 1999 (State Revolving Fund), in fully registered form (the "Bond"), pursuant to a Resolution enacted and adopted by the Issuer and effective on February 8, 1999 (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, from time to time, reasonable compensation for services rendered and reimbursement for reasonable expenses incurred in connection therewith.

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

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

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

ISSUER: Cottageville Public Service District
Attention: Chairman
P.O. Box 180
Cottageville, WV 25239

REGISTRAR: United National Bank
Attn: Commercial Loan Officer
113 North Street
Ripley, WV 25271

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

IN WITNESS WHEREOF, COTTAGEVILLE PUBLIC SERVICE DISTRICT and UNITED NATIONAL BANK 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.

COTTAGEVILLE PUBLIC SERVICE DISTRICT

By: Lester R. Smith
Chairman

UNITED NATIONAL BANK

By: Sam R. Boyer
Commercial Loan Officer

Exhibit A

See Resolution (Tab No. 5)

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK AND REGISTRAR

United National Bank, a national banking association, at its office located in Ripley, Jackson County, West Virginia, hereby accepts appointment as Depository Bank and Registrar in connection with a Resolution of the Cottageville Public Service District (the "District") duly adopted by the Public Service Board of the District (the "District") and effective on February 8, 1999 (the "Resolution"), authorizing issuance by the District of its Sewer Revenue Bond, Series 1999 (State Revolving Fund), dated February 24, 1999, in the aggregate principal amount of \$429,090, and agrees to perform all duties of Depository Bank and Registrar as set forth in the Resolution.

Witness my signature as of the 24th day of February, 1999.

UNITED NATIONAL BANK

By: 
Commercial Loan Officer

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION
AND DELIVERY OF THE BOND

February 24, 1999

United National Bank
Commercial Loan Department
113 North Street
Ripley, WV 25271

Ladies and Gentlemen:

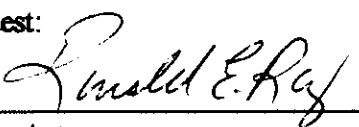
We herewith hand to you, duly executed, the \$429,090 Cottageville Public Service District, Sewer Revenue Bond, Series 1999 (State Revolving Fund) (the "Bond"), in the form of one bond, numbered R-1, of the Cottageville Public Service District (the "District"), authorized to be issued under and pursuant to the Resolution, duly adopted by the Board of the District and effective on February 8, 1999.

You are hereby requested and authorized to authenticate and register the Bond and to deliver the Bond on behalf of the District to the West Virginia Water Development Authority, the original purchaser thereof, upon receipt by the District of \$96,792.00, being more than a de minimis portion of the \$429,090 proceeds of the Bond.

COTTAGEVILLE PUBLIC SERVICE DISTRICT

By: 
Chairman

(SEAL)

Attest: 
Secretary

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

CERTIFICATE OF REGISTRATION OF BOND

I, Bernard Boggess, Commercial Loan Officer of United National Bank, as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and the Cottageville Public Service District (the "District") dated as of the date hereof, hereby certify that on the 24th day of February, 1999, the bond of the District in the principal amount of \$429,090 designated "Cottageville Public Service District, Sewer Revenue Bond, Series 1999 (State Revolving Fund)", and numbered R-1, dated as of the date hereof, was registered as to principal and interest in the name of "The West Virginia Water Development Authority" on the books of the Registrar kept for that purpose at our office, by a duly authorized officer on behalf of the Registrar.

WITNESS my signature as of the 24th day of February, 1999.

UNITED NATIONAL BANK,
as Registrar

By: 
Commercial Loan Officer

\$429,090
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned Daniel B. Yonkosky, Director of the West Virginia Water Development Authority (the "WDA"), and Lester R. Smith, Chairman of the Cottageville Public Service District, Jackson County, West Virginia (the "Issuer"), hereby certify as follows:

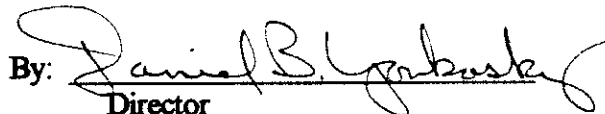
1. On the 24th day of February, 1999, the WDA received the entire original issue in aggregate principal amount of \$429,090 of the Sewer Revenue Bond, Series 1999, of the Issuer (the "Bond"). The Bond, as so received on original issuance, is dated February 24, 1999, and is issued as Bond Number R-1, in the denomination of \$429,090.

2. At the time of such receipt of the Bond, the Bond had been executed by Lester R. Smith, as Chairman of the Issuer, by his manual signature, and by Ronald E. Ray, as Secretary of the Issuer, by his manual signature, and the official seal of the Issuer had been imprinted upon the Bond.

3. The Issuer has received and hereby acknowledges receipt from the WDA, as the original purchaser of the Bond, of \$96,792.00, being more than a de minimus portion of the proceeds of the Bond. The balance will be advanced from time to time to pay costs of the Project as described in the Loan Agreement.

IN WITNESS WHEREOF, this receipt has been signed and delivered on behalf of the West Virginia Water Development Authority, and the Cottageville Public Service District, Jackson County, West Virginia, has caused this receipt to be executed by its Chairman, as of the 24th day of February, 1999.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: 
Director

COTTAGEVILLE PUBLIC SERVICE DISTRICT

By: 
Chairman

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

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

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

REPLY TO Charleston

February 24, 1999

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

Re: \$429,090
Cottageville Public Service District
Sewer Revenue Bond
Series 1999 (State Revolving Fund)

Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of the Loan Agreement, dated February 8, 1999, including all schedules and exhibits attached thereto (the "Loan Agreement"), among the District, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection ("DEP") and (ii) the issuance of a sewer system revenue bond of the District, dated February 24, 1999 (the "Bond"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bond is in the principal amount of \$429,090, and is issued in the form of one bond registered as to principal and interest to the Authority.

Interest on the Bond shall be paid on the unpaid principal balance of the Bond at two percent (2%) per annum, plus an annual administrative fee of one percent (1%) payable in quarterly installments commencing December 1, 2000, and thereafter on each March 1, June 1, September 1 and December 1. Principal on the Bond is payable in quarterly installments commencing December 1, 2000, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Schedule Y to the Loan Agreement.

GOODWIN & GOODWIN, LLP

The Bond is issued for the purpose of financing a portion of the costs of acquisition, construction and equipping a new sewer system and paying certain issuance and other costs in connection therewith (the "Project").

We have also examined the applicable provisions of Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia of 1931, as amended (the "Act"), and the Bond has been authorized by a Bond Resolution duly enacted and adopted by the Public Service Board of the District ("Board") effective on February 8, 1999 (the "Resolution"), pursuant to and under which Act and Resolution the Bond is authorized and issued, and the Loan Agreement has been undertaken. The Bond is 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.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the District and is a valid and binding special obligation of the District enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and DEP and cannot be amended so as to affect adversely the rights of the Authority or DEP or diminish the obligations of the District without the consent of the Authority and DEP.
3. The District is a duly organized and presently existing public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia, with full power and authority to acquisition, construction and equipping the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Bond, all under the Act and other applicable provisions of law. The District has taken all legal action necessary to operate a sewer system.
4. The District has legally and effectively adopted the Resolution and has satisfied all other necessary requirements in connection with the issuance and sale of the Bond. The Resolution contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
5. The Bond is a valid and legally enforceable special obligation of the District, payable from the Net Revenues of the System referred to in the Resolution and secured by a lien on and pledge of the net revenues of said System, all in accordance with the terms of the Bond, the Resolution and the Sewage Rate Resolution adopted on January 18, 1999, and has been duly issued and delivered to the Authority. The District has reserved the right to issue additional bonds ranking on a parity with the Bond, as provided in the Resolution. The District has certified that the rates and charges generated by the Sewage Rate Resolution are sufficient to pay the principal of and interest on the Bond, when due. The Resolution requires that such schedule of rates and charges be changed and readjusted whenever necessary so that the aggregate of such rates and charges will be sufficient for such purposes.

GOODWIN & GOODWIN, LLP

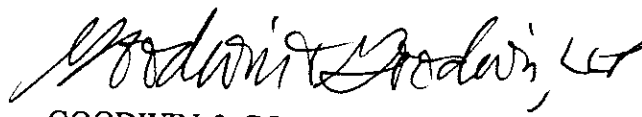
6. Under existing statutes and court decisions, as presently written and applied, interest on the Bond is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bond in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the interest on the Bond to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bond. We express no opinion herein regarding other tax consequences arising with respect to the Bond.

7. Under the Act, as presently written and applied, the Bond and the income thereon are exempt from taxation by the State of West Virginia pursuant to the provisions of Section 16-13A-21 of the Code of West Virginia of 1931, as amended.

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

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Goodwin & Goodwin, LLP", is written over the printed name of the firm.

GOODWIN & GOODWIN, LLP

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

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

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

REPLY TO:

Charleston

February 24, 1999

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

Jackson & Kelly, PLLC
P.O. Box 553
Charleston, West Virginia 25322

Re: \$429,090 Cottageville Public Service District
Sewer Revenue Bond, Series 1999 (State Revolving Fund)

Dear Ladies and Gentlemen:

We are counsel to the Cottageville Public Service District (the "District"). We have reviewed various documents relating to the above-captioned bonds of the District (the "Bonds"), the Loan Agreement by and between the West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Division of Environmental Protection, and the District, dated February 8, 1999, and a Resolution duly enacted by the Public Service Board of the District (the "Board") on February 8, 1999 (the "Resolution") and other documents relating to the Bonds. Terms used in this opinion and not otherwise defined herein shall have the same meanings as contained in the Loan Agreement and the Resolution. We are of the opinion as follows:

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

GOODWIN & GOODWIN, LLP

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

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

4. The Resolution has been duly 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 Resolution and the Loan Agreement and the carrying out of the terms thereof do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or any existing law, regulation, court order or consent decree to which the District is subject.

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

7. The District has obtained from the West Virginia Public Service Commission a valid and Final Order dated February 1, 1999, in Case No. 98-0174-PSD-CN which lawfully authorizes the District to proceed with the acquisition and construction of the District's new sewer system and approval of issuance of the above-captioned bond.

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

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

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

Very truly yours,

A handwritten signature in cursive script, appearing to read "Goodwin & Goodwin, LLP", followed by a flourish.

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street,
Suite 300
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: February 24, 1999
(See Reverse for Instructions)

ISSUE: Cottageville Public Service District, Sewer Revenue Bond
Series 1999 (State Revolving Fund)
ADDRESS: P.O. Box 180
Cottageville, WV 25239 **COUNTY:** Jackson
PURPOSE: New Money X
OF ISSUE: Refunding _____
ISSUE DATE: February 24, 1999 **Refunds issue dated:** N/A
ISSUE AMOUNT: \$429,090 **CLOSING DATE:** February 24, 1999
1st DEBT SERVICE DUE: 12/1/00 **RATE:** 2%
1st DEBT SERVICE AMOUNT: \$6,520.45 **1st PRINCIPAL DUE:** 12/1/00
PAYING AGENT: Municipal
Bond Commission

BOND COUNSEL: Goodwin & Goodwin, LLP **LENDER:** Div. Of Env. Protec.
Contact Person: W. K. Bragg, Jr. **Contact Person:** R. Broaderson
Phone: 346-7000 **Phone:** 558-0641

REGISTRAR: United National Bank
Contact Person: Bernard Boggess
Phone: 372-2121

KNOWLEDGEABLE ISSUER CONTACT: **OTHER:** Lender's Counsel
Contact Person: Lester R. Smith **Contact Person:** Samme L. Gee
Position: Chairman **Phone:** 340-1318
Phone: 372-4317

DEPOSITS TO MBC AT CLOSE:

By _____	Accrued Interest:	\$ _____	0
_____ Wire	Capitalized Interest:	\$ _____	0
_____ Check	Reserve Account:	\$ _____	0
_____ Other:		\$ _____	

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By _____	To Escrow Trustee:	\$ _____	N/A
_____ Wire	To Issuer:	\$ _____	N/A
_____ Check	To Cons. Invest. Fund:	\$ _____	N/A
_____ IGT	Other:	\$ _____	

Notes: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

(print on back of form)

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The Commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by WV Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes".

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

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

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COTTAGEVILLE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1999
(STATE REVOLVING FUND)

No. R-1

\$429,090

Date: February 24, 1999

KNOW ALL MEN BY THESE PRESENTS: That COTTAGEVILLE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Jackson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Four Hundred Twenty-nine Thousand Ninety and 00/100 Dollars (\$429,090.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance hereof at the rate set out below. Interest on this Bond is set at two percent (2%) per annum, plus an annual administrative fee of one percent (1%), payable quarterly commencing December 1, 2000, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1 as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. Principal on the Bond is payable in quarterly installments commencing December 1, 2000, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on Exhibit B. The final installment of principal shall be paid at the end of twenty (20) years from the date amortization of debt service on the Bond begins and shall be in an amount equal to the amount of outstanding principal due on the Bond at said date. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole at par, but only upon thirty (30) days prior written notice to the Authority and the West Virginia Division of Environmental Protection ("DEP") and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and among the Issuer, the Authority and DEP.

This Bond is issued (i) to repay a design loan, (ii) to pay the costs of acquiring, constructing and equipping new public sewer facilities of the Issuer (the "Project"); and (iii) to pay certain costs

of issuance hereof and related costs. The sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted and enacted by the Issuer and effective February 8, 1999 (the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Resolution.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, from moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1999 Bond Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 Bond Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with the Bonds, provided however, that so long as there exists in the Series 1999 Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

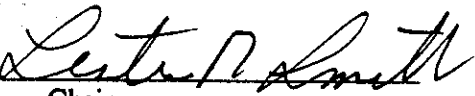
IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law and that the amount of this Bond,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

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

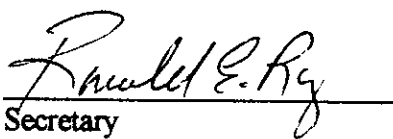
IN WITNESS WHEREOF, COTTAGEVILLE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary and has caused this Bond to be dated February 24, 1999.

COTTAGEVILLE PUBLIC SERVICE DISTRICT

[SEAL]

By: 
Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999 Bond described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: February 24, 1999

UNITED NATIONAL BANK

By:


Commercial Loan Officer

EXHIBIT A
RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$96,792.00_		(6) \$_____	
(2) \$_____		(7) \$_____	
(3) \$_____		(8) \$_____	
(4) \$_____		(9) \$_____	
(5) \$_____		(10) \$_____	
TOTAL \$_____			

Cottageville Public Service District, WV

CWSRF Loan C-544064

\$429,090; 2% Interest Rate; 1% Administrative Fee; 20 Years

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
3/01/1999	-	-	-	-
6/01/1999	-	-	-	-
9/01/1999	-	-	-	-
12/01/1999	-	-	-	-
3/01/2000	-	-	-	-
6/01/2000	-	-	-	-
9/01/2000	-	-	-	-
12/01/2000	4,375.00	2.000%	2,145.45	6,520.45
3/01/2001	4,397.00	2.000%	2,123.53	6,520.53
6/01/2001	4,419.00	2.000%	2,101.59	6,520.59
9/01/2001	4,441.00	2.000%	2,079.50	6,520.50
12/01/2001	4,464.00	2.000%	2,057.29	6,521.29
3/01/2002	4,486.00	2.000%	2,034.97	6,520.97
6/01/2002	4,508.00	2.000%	2,012.54	6,520.54
9/01/2002	4,531.00	2.000%	1,990.00	6,521.00
12/01/2002	4,554.00	2.000%	1,967.35	6,521.35
3/01/2003	4,576.00	2.000%	1,944.53	6,520.53
6/01/2003	4,599.00	2.000%	1,921.70	6,520.70
9/01/2003	4,622.00	2.000%	1,898.70	6,520.70
12/01/2003	4,645.00	2.000%	1,875.55	6,520.55
3/01/2004	4,669.00	2.000%	1,852.37	6,521.37
6/01/2004	4,692.00	2.000%	1,829.02	6,521.02
9/01/2004	4,715.00	2.000%	1,805.55	6,520.55
12/01/2004	4,739.00	2.000%	1,781.99	6,520.99
3/01/2005	4,763.00	2.000%	1,758.29	6,521.29
6/01/2005	4,786.00	2.000%	1,734.43	6,520.43
9/01/2005	4,810.00	2.000%	1,710.55	6,520.55
12/01/2005	4,834.00	2.000%	1,686.50	6,520.50
3/01/2006	4,859.00	2.000%	1,662.33	6,521.33
6/01/2006	4,883.00	2.000%	1,638.03	6,521.03
9/01/2006	4,907.00	2.000%	1,613.62	6,520.62
12/01/2006	4,932.00	2.000%	1,589.08	6,521.08
3/01/2007	4,957.00	2.000%	1,564.42	6,521.42
6/01/2007	4,981.00	2.000%	1,539.64	6,520.64
9/01/2007	5,006.00	2.000%	1,514.73	6,520.73
12/01/2007	5,031.00	2.000%	1,489.70	6,520.70
3/01/2008	5,056.00	2.000%	1,464.55	6,520.55
6/01/2008	5,082.00	2.000%	1,439.27	6,521.27
9/01/2008	5,107.00	2.000%	1,413.86	6,520.86
12/01/2008	5,133.00	2.000%	1,388.32	6,521.32
3/01/2009	5,158.00	2.000%	1,362.66	6,520.66
6/01/2009	5,184.00	2.000%	1,336.87	6,520.87
9/01/2009	5,210.00	2.000%	1,310.95	6,520.95
12/01/2009	5,236.00	2.000%	1,284.90	6,520.90
3/01/2010	5,262.00	2.000%	1,258.72	6,520.72
6/01/2010	5,269.00	2.000%	1,232.41	6,521.41
9/01/2010	5,315.00	2.000%	1,205.95	6,520.95

Cottageville Public Service District, WV
CWSRF Loan C-544064
\$429,090; 2% Interest Rate; 1% Administrative Fee; 20 Years

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2010	5,342.00	2.000%	1,179.39	6,521.39
3/01/2011	5,368.00	2.000%	1,152.62	6,520.62
6/01/2011	5,395.00	2.000%	1,125.84	6,520.84
9/01/2011	5,422.00	2.000%	1,098.86	6,520.86
12/01/2011	5,449.00	2.000%	1,071.75	6,520.75
3/01/2012	5,476.00	2.000%	1,044.51	6,520.51
6/01/2012	5,504.00	2.000%	1,017.13	6,521.13
9/01/2012	5,531.00	2.000%	989.61	6,520.61
12/01/2012	5,559.00	2.000%	961.95	6,520.95
3/01/2013	5,587.00	2.000%	934.16	6,521.16
6/01/2013	5,615.00	2.000%	906.22	6,521.22
9/01/2013	5,643.00	2.000%	878.15	6,521.15
12/01/2013	5,671.00	2.000%	849.93	6,520.93
3/01/2014	5,699.00	2.000%	821.56	6,520.56
6/01/2014	5,728.00	2.000%	793.08	6,521.08
9/01/2014	5,757.00	2.000%	764.44	6,521.44
12/01/2014	5,785.00	2.000%	735.66	6,520.66
3/01/2015	5,814.00	2.000%	706.73	6,520.73
6/01/2015	5,843.00	2.000%	677.66	6,520.66
9/01/2015	5,873.00	2.000%	648.45	6,521.45
12/01/2015	5,902.00	2.000%	619.06	6,521.06
3/01/2016	5,931.00	2.000%	589.57	6,520.57
6/01/2016	5,961.00	2.000%	559.92	6,520.92
9/01/2016	5,991.00	2.000%	530.11	6,521.11
12/01/2016	6,021.00	2.000%	500.16	6,521.16
3/01/2017	6,051.00	2.000%	470.05	6,521.05
6/01/2017	6,081.00	2.000%	439.80	6,520.80
9/01/2017	6,112.00	2.000%	409.39	6,521.39
12/01/2017	6,142.00	2.000%	378.63	6,520.63
3/01/2018	6,173.00	2.000%	348.12	6,521.12
6/01/2018	6,204.00	2.000%	317.26	6,521.26
9/01/2018	6,235.00	2.000%	286.24	6,521.24
12/01/2018	6,266.00	2.000%	255.06	6,521.06
3/01/2019	6,297.00	2.000%	223.73	6,520.73
6/01/2019	6,329.00	2.000%	192.25	6,521.25
9/01/2019	6,360.00	2.000%	160.60	6,520.60
12/01/2019	6,392.00	2.000%	128.60	6,520.60
3/01/2020	6,424.00	2.000%	96.84	6,520.84
6/01/2020	6,456.00	2.000%	64.72	6,520.72
9/01/2020	6,488.00	2.000%	32.44	6,520.44
Total	429,090.00	-	92,582.37	521,672.37 *

*Plus \$578.64 one-percent administrative fee paid quarterly. Total fee paid over the life of the loan is \$46,291.20.

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 of the within Bond of said Issuer with full power of substitution in the premises.

Dated: _____, 19__.

(Assignor)

Witnessed in the presence of:
