

***Crab Orchard-MacArthur Public Service District
Sewerage System Revenue Bonds
Series 1997 A (West Virginia SRF Program) and
Series 1997 B (West Virginia Infrastructure Fund)***

Date of Closing: June 5, 1997

#5

BOWLES RICE McDAVID GRAFF & LOVE, PLLC

**CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A
(WEST VIRGINIA SRF PROGRAM)**

BOND AND INTERIM FINANCING RESOLUTION

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BOND AND INTERIM FINANCING RESOLUTION

Table of Contents

ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	1
<u>Section 1.01. Authority for this Resolution.</u>	1
<u>Section 1.02. Findings.</u>	2
<u>Section 1.03. Bond Legislation Constitutes Contract.</u>	4
<u>Section 1.04. Definitions.</u>	4
ARTICLE II - AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT	13
<u>Section 2.01. Authorization of Acquisition and Construction of the Project.</u>	13
ARTICLE III - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT	14
<u>Section 3.01. Authorization of Bonds.</u>	14
<u>Section 3.02. Terms of Bonds.</u>	14
<u>Section 3.03. Execution of Bonds.</u>	15
<u>Section 3.04. Authentication and Registration.</u>	15
<u>Section 3.05. Negotiability, Transfer and Registration.</u>	15
<u>Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost.</u>	16
<u>Section 3.07. Bonds not to be Indebtedness of the Issuer.</u>	16
<u>Section 3.08. Bonds Secured by Pledge of Net Revenues, Lien Positions With Respect to Prior Bonds and Series 1997 B Bonds</u>	16
<u>Section 3.09. Delivery of Bonds</u>	17
<u>Section 3.10. Form of Series 1997 A Bonds.</u>	17
<u>Section 3.11. Sale of Series 1997 A Bonds; Approval and Ratification of Execution of Loan Agreement with Authority and DEP.</u>	26
<u>Section 3.12. Series 1997 A Bonds are Issued as Parity Bonds With Respect to Prior Bonds and Series 1997 B Bonds.</u>	26
<u>Section 3.13. "Amended Schedule A" Filing.</u>	26
ARTICLE IV - INTERIM CONSTRUCTION FINANCING	27
<u>Section 4.01. Authorization and General Terms.</u>	27
<u>Section 4.02. Terms of and Security for Notes; Credit Agreement.</u>	27
<u>Section 4.03. Notes are Special Obligations.</u>	27
<u>Section 4.04. Letters of Credit.</u>	27

ARTICLE V - FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF	28
<u>Section 5.01. Establishment of Funds and Accounts with Depository Bank.</u>	28
<u>Section 5.02. Establishment of Funds and Accounts with Commission.</u>	28
<u>Section 5.03. System Revenues; Flow of Funds.</u>	29
ARTICLE VI - BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS	33
<u>Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds.</u>	33
<u>Section 6.02. Disbursements From the Series 1997 A Bonds Construction Trust Fund.</u>	34
ARTICLE VII - ADDITIONAL COVENANTS OF THE ISSUER	36
<u>Section 7.01. General Covenants of the Issuer.</u>	36
<u>Section 7.02. Series 1997 A Bonds not to be Indebtedness of the Issuer.</u>	36
<u>Section 7.03. Series 1997 A Bonds Secured by Pledge of Net Revenues; Lien Positions</u> <u>With Respect to Prior Bonds and Series 1997 B Bonds.</u>	36
<u>Section 7.04. Initial Schedule of Rates and Charges.</u>	36
<u>Section 7.05. Sale of the System.</u>	36
<u>Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General</u> <u>Covenant Against Encumbrances.</u>	38
<u>Section 7.07. Parity Bonds.</u>	38
<u>Section 7.08. Books, Records and Facilities.</u>	40
<u>Section 7.09. Rates.</u>	41
<u>Section 7.10. Operating Budget; Audit and Monthly Financial Report.</u>	42
<u>Section 7.11. Engineering Services and Operating Personnel.</u>	43
<u>Section 7.12. No Competing Franchise.</u>	43
<u>Section 7.13. Enforcement of Collections.</u>	44
<u>Section 7.14. No Free Services.</u>	44
<u>Section 7.15. Insurance and Construction Bonds.</u>	44
<u>Section 7.16. Mandatory Connections.</u>	45
<u>Section 7.17. Completion and Operation of Project; Permits and Orders.</u>	45
<u>Section 7.18. Statutory Mortgage Lien.</u>	46
<u>Section 7.19. Compliance With Loan Agreement and Law.</u>	46
<u>Section 7.20. Securities Laws Compliance</u>	46
ARTICLE VIII - INVESTMENT OF FUNDS; NON ARBITRAGE	47
<u>Section 8.01. Investments.</u>	47
<u>Section 8.02. Information With Respect to Gross Proceeds.</u>	47
ARTICLE IX - DEFAULT AND REMEDIES	48
<u>Section 9.01. Events of Default.</u>	48
<u>Section 9.02. Remedies.</u>	48
<u>Section 9.03. Appointment of Receiver.</u>	48

ARTICLE X - DEFEASANCE	50
<u>Section 10.01. Defeasance of Series 1997 A Bonds.</u>	50
ARTICLE XI - MISCELLANEOUS	51
<u>Section 11.01. Amendment or Modification of Bond Legislation.</u>	51
<u>Section 11.02. Bond Legislation Constitutes Contract.</u>	51
<u>Section 11.03. Severability of Invalid Provisions.</u>	51
<u>Section 11.04. Headings, Etc.</u>	51
<u>Section 11.05. Conflicting Provisions Repealed.</u>	51
<u>Section 11.06. Covenant of Due Procedure, Etc.</u>	51
<u>Section 11.07. Public Notice of Proposed Financing.</u>	52
<u>Section 11.08. Effective Date.</u>	52
Exhibit A - DESCRIPTION OF PROJECT	53
Exhibit B - LOAN AGREEMENT	54
Exhibit C - CREDIT AGREEMENT	55

Page

**CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A
(WEST VIRGINIA SRF PROGRAM)**

BOND AND INTERIM FINANCING RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT OF NOT MORE THAN TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM); APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING NOT MORE THAN \$500,000 IN A LINE OF CREDIT EVIDENCED BY NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM); AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements to the Issuer's existing public sewerage facilities, including the additions, betterments and improvements described in Exhibit A hereto (collectively, the "Project") (the Issuer's existing sewerage facilities, the Project and any further additions thereto or extensions thereof is herein called the "System") in accordance with the plans and specifications prepared by Dunn Engineers, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The acquisition and construction of the System was financed with the proceeds from \$3,685,177.00 in principal amount of the Issuer's Sewer Revenue Bonds, Series 1986 A (the "Series 1986 A Bonds") and \$161,688 in principal amount of the Issuer's Sewer Revenue Bonds, Series 1986 B (the "Series 1986 B Bonds"), issued on May 29, 1986, authorized pursuant to the Bond Resolution adopted by the Issuer on May 27, 1986, as supplemented and amended (the "Series 1986 Bonds Resolution").

D. The Series 1986 A Bonds were refunded and defeased in accordance with the Series 1986 Bonds Resolution with a portion of the Issuer's Sewerage System Refunding Revenue Bonds, Series 1996 A (the "Series 1996 A Bonds"), dated July 15, 1996, authorized pursuant to the Bond Resolution adopted by the Issuer on July 23, 1996, as supplemented and amended (the "Series 1996 A Bonds Resolution") (the Series 1986 Bonds Resolution and the Series 1996 A Bonds Resolution are collectively referred to herein as the "Prior Resolutions").

E. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Series 1986 B Bonds and the Series 1996 A Bonds (collectively, the "Prior Bonds"), said revenues are not pledged or encumbered in any manner.

F. The estimated maximum cost of the construction and acquisition of the Project and issuance of the Series 1997 Bonds, as hereinafter defined, is \$3,019,300, of which (i) \$250,000 will be permanently financed with the proceeds of the Issuer's Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) (the "Series 1997 A Bonds") herein authorized, (ii) \$1,774,300 will be permanently financed with the proceeds of the Issuer's Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund) (the "Series 1997 B Bonds") to be issued concurrently with the issuance of the Series 1997 A Bonds, (iii) \$745,000 will be paid with the proceeds of a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), and (iv) \$250,000 will be paid with the proceeds of a grant from the County Commission of Raleigh County, West Virginia (the Series 1997

A Bonds and the Series 1997 B Bonds are collectively referred to herein as the "Series 1997 Bonds").

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 1997 Bonds and the Prior Bonds, and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions, and in the Series 1997 B Bonds Resolution, as such term is hereinafter defined.

H. It is further deemed necessary for the Issuer to issue the Series 1997 A Bonds, in the total aggregate principal amount of not more than \$250,000, to permanently finance a portion of the costs of acquisition and construction of the Project, as hereinafter defined. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1997 A Bonds prior to and during construction and acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 1997 A Bonds Reserve Account, as hereinafter defined; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (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 Series 1997 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1997 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

J. It is in the best interest of the Issuer that its Series 1997 A Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), the execution, delivery and form of which are ratified and approved herein. The Issuer has met the requirements of the Prior Resolutions for the issuance of the Series 1997 A Bonds on a parity with the Prior Bonds and has received, or will receive prior to the bond closing date, written consent from the owner of the Series 1986 B Bonds to issue the Series 1997 A Bonds on a parity with the lien of the Series 1986 B Bonds.

K. There will be issued concurrently on the Closing Date, additional obligations of the Issuer which will rank on a parity with the Series 1997 A Bonds and the Prior Bonds as to

liens, pledge, source of and security for payment, being the Series 1997 B Bonds to be issued pursuant to a separate resolution adopted by the Issuer simultaneously herewith (the "Series 1997 B Bonds Resolution"). There are no outstanding obligations of the Issuer other than the Series 1986 B Bonds and the Series 1996 A Bonds which will rank either senior and prior to or on parity with the Series 1997 Bonds as to liens and sources of and security for payment.

L. The Series 1997 A Bonds shall be issued with a lien on the Net Revenues, as hereinafter defined, on a parity with the lien held by the Holders of the Prior Bonds and the Series 1997 B Bonds.

M. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System, and issuance of the Series 1997 A Bonds or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Public Convenience and Necessity, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Series 1997 A Bonds or has been waived by all necessary parties.

N. It is in the best interests of the Issuer that the Issuer enter into an interim financing agreement with the Interim Financing Bank as further provided in Article IV hereof.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1997 A Bonds by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such 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 Series 1997 A Bonds, as the case may be, 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 Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, which is

expected to be the original purchaser and Registered Owner of the Series 1997 A Bonds, provided that the Issuer must satisfy the legal and other requirements of the Program.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

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

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

"Bonds" means the Series 1997 A Bonds, the Series 1997 B Bonds and, where appropriate, any Bonds on a parity therewith subsequently issued hereunder or pursuant to another resolution of the Issuer.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Series 1997 A Bonds in substantially the form set forth in the bond form contained herein.

"Chairman" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 1997 A Bonds for an advance of more than a de minimis amount of the principal of the Series 1997 A Bonds by the Authority.

"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.

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"Consulting Engineers" means Dunn Engineers, Inc., or any professional engineer or firm of professional engineers, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

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

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

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

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

"Event of Default" means any occurrence or event specified in Section 9.01.

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

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale

or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Section 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" shall mean any public accountant or certified public accountant or firm of public accountants or 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.

"Interim Financing Bank" means the bank providing the interim financing authorized and approved in Article IV hereof, which bank shall be designated in a resolution supplemental hereto.

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

"Loan Agreement" shall mean the Water Pollution Control Revolving Fund Loan Agreement entered into or to be entered into by and among the Authority, the DEP and the Issuer providing for the purchase of the Series 1997 A Bonds from the Issuer by the Authority, attached hereto as Exhibit B, the form of which is approved, and the execution and delivery by the Issuer are authorized and directed by Section 3.11 hereof and by the Supplemental Resolution.

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

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

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

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer with the consent of the Authority and the DEP.

"Prior Bonds" means the Series 1986 B Bonds and the Series 1996 A Bonds.

"Prior Bonds Reserve Accounts" means the Reserve Account or Accounts established for the Prior Bonds in the Prior Resolutions.

"Prior Bonds Sinking Funds" means the Sinking Fund or Funds established for the Prior Bonds in the Prior Resolutions.

"Prior Resolutions" means the Series 1986 Bonds Resolution and the Series 1996 A Bonds Resolution.

"Project" means the wastewater treatment facility project described in Exhibit A attached hereto, constituting additions, betterments and improvements to the existing sewerage system of the Issuer.

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

A. Government Obligations;

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

C. 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;

D. Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that 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;

E. Money market funds or similar funds whose only assets are investments of the type described in paragraphs (A) through (D) above;

F. Repurchase agreements, fully secured by investments of the types described in paragraphs (A) through (D) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of 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;

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

H. 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.

"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.

"Registrar" means the Bond Registrar.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Series 1986 Bonds Resolution and continued by Section 5.01 hereof.

"Reserve Accounts" means, collectively, the Prior Bonds Reserve Accounts, the Series 1997 A Bonds Reserve Account and the Series 1997 B Bonds Reserve Account.

"Reserve Requirement" means, collectively, the respective amount required to be on deposit in any Reserve Account for the Bonds.

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

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

"Series 1986 Bonds Resolution" means the Bond Resolution adopted by the Issuer on May 27, 1986, authorizing, among other things, the issuance of the Series 1986 B Bonds, as supplemented and amended.

"Series 1986 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1986 B issued on May 29, 1986 in the original principal amount of \$161,688.

"Series 1996 A Bonds" means the Issuer's Sewerage System Refunding Revenue Bonds, Series 1996 A, dated July 15, 1996, issued in the original principal amount of \$4,925,000.

"Series 1996 A Bonds Resolution" means the Bond Resolution adopted by the Issuer on July 23, 1996, authorizing the issuance of the Series 1996 A Bonds, as supplemented and amended.

"Series 1997 Bonds" means the Series 1997 A Bonds and the Series 1997 B Bonds.

"Series 1997 A Bonds" means the not more than \$250,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 1997 A Bonds Construction Trust Fund" means the Series 1997 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 1997 A Bonds Reserve Account" means the Series 1997 A Bonds Reserve Account established in the Series 1997 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1997 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 1997 A Bonds in the then concurrent or any succeeding year.

"Series 1997 A Bonds Sinking Fund" means the Series 1997 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1997 B Bonds" means the not more than \$1,774,300 aggregate principal amount of Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund), of the Issuer, authorized by the Series 1997 B Bonds Resolution.

"Series 1997 B Bonds Construction Trust Fund" means the Series 1997 B Bonds Construction Trust Fund established by the Series 1997 B Bonds Resolution.

"Series 1997 B Bonds Reserve Account" means the Series 1997 B Bonds Reserve Account established in the Series 1997 B Bonds Sinking Fund pursuant to Section 5.02 of the Series 1997 B Bonds Resolution.

"Series 1997 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 1997 B Bonds in the then current or any succeeding year.

"Series 1997 B Bonds Sinking Fund" means the Series 1997 B Bonds Sinking Fund established by Section 5.02 of the Series 1997 B Bonds Resolution.

"Series 1997 B Bonds Resolution" means the resolution of the Issuer adopted simultaneously herewith, authorizing the Series 1997 B Bonds.

"Sinking Funds" means, collectively, the Prior Bonds Sinking Funds, the Series 1997 A Bonds Sinking Fund and the Series 1997 B Bonds Sinking Fund.

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

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

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 1997 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1997 A Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, as further defined in Section 5.03(B) hereof.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereof, both within and without said Issuer.

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

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$3,019,300 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1997 A Bonds hereby authorized shall be applied as provided in Article VI hereof.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the SRF Program. The Issuer will enter into a contract for the acquisition and construction of the Project simultaneously with the issuance of the Series 1997 A Bonds.

The cost of the Project is estimated not to exceed \$3,019,300, which is to be paid as set forth in 1.02F hereof.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1997 A Bonds, funding a reserve account for the Series 1997 A Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 1997 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Series 1997 A Bonds of the Issuer, in an aggregate principal amount of not more than \$250,000. Said Series 1997 A Bonds shall be issued in one series to be designated "Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program)," in the aggregate principal amount of not more than \$250,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1997 A Bonds remaining after the funding of the Series 1997 A Bonds Reserve Account (if funded from the Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 1997 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1997 A Bonds shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1997 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1997 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1997 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1997 A Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1997 A Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated as of the date

specified in a Supplemental Resolution and shall bear interest, if any, as provided in such Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 1997 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Series 1997 A Bonds shall cease to be such officer of the Issuer before the Series 1997 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1997 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1997 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1997 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1997 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Series 1997 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 1997 A Bonds remain Outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain the books for the registration and transfer of the Series 1997 A Bonds.

The registered Series 1997 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 1997 A Bonds or transferring the registered Series 1997 A Bonds are exercised, Series 1997 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 1997 A Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 1997 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 1997 A Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 1997 A Bonds or, in the case of any proposed redemption of Series 1997 A Bonds, next preceding the date of the selection of Series 1997 A Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1997 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1997 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 1997 A Bonds Reserve Account. No holder or holders of any of the Series 1997 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1997 A Bonds or the interest, if any, thereon. The Issuer has no taxing power.

Section 3.08. Bonds Secured by Pledge of Net Revenues, Lien Positions With Respect to Prior Bonds and Series 1997 B Bonds. The payment of the debt service of all the Series 1997 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds and the Series 1997 B Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Series 1997 Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein, and the Renewal and Replacement Fund established in the Series 1986 Bonds Resolution and

continued herein, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1997 Bonds and the Prior Bonds as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1997 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1997 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1997 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1997 A Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1997 A Bonds.

Section 3.10. Form of Series 1997 A Bonds. The text of the Series 1997 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof;

[Form of Series 1997 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND,
SERIES 1997 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-_____

\$_____

KNOW ALL MEN BY THESE PRESENTS: That CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year commencing on _____, _____, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, without interest.

The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____, 19____, as set forth on Exhibit B attached hereto. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may only be redeemed prior to its stated date of maturity in whole or in part upon the terms and conditions prescribed by, and otherwise in compliance with, the Water Pollution Control Revolving Fund Loan Agreement among the Issuer, the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP") and the Authority, dated _____, 19____.

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

including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on _____, 19____ and a Supplemental Resolution duly adopted by the Issuer on _____, 19____ (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE SEWER REVENUE BONDS, SERIES 1986 B, OF THE ISSUER, ISSUED MAY 29, 1986, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$161,688 (THE "SERIES 1986 B BONDS"); THE SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1996 A, OF THE ISSUER, DATED JULY 15, 1996, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$4,925,000 (THE "SERIES 1996 A BONDS"); AND THE SEWERAGE SYSTEM REVENUE BOND, SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL PRINCIPAL AMOUNT OF \$1,774,300 (THE "SERIES 1997 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation), on a parity with the pledge of the Net Revenues in favor of the holders of the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 B Bonds, to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1997 A Bonds 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 1997 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% (125% so long as any of the Series 1996 A Bonds remaining Outstanding) 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 revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 B Bonds, provided however, that so long as there exists in the Series 1997 A Bonds 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 respective reserve accounts established for any other obligations Outstanding prior to or on a parity with the Bonds, including

the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110% (but shall remain at 125% so long as any of the Series 1996 A Bonds remain Outstanding). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and 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 Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CRAB ORCHARD-MACARTHUR 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 _____, 19____.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____,

as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	<u>Amount</u>	<u>Date</u>		<u>Amount</u>	<u>Date</u>
(1)	\$		(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

Total \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

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

Dated: _____, 19____.

In the presence of:

Section 3.11. Sale of Series 1997 A Bonds: Approval and Ratification of Execution of Loan Agreement with Authority and DEP. The Series 1997 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit B" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Series 1997 A Bonds are Issued as Parity Bonds With Respect to Prior Bonds and Series 1997 B Bonds. The Series 1997 A Bonds are issued as and shall constitute parity Bonds with respect to the Prior Bonds and the Series 1997 B Bonds. The Issuer has met the requirements of the Prior Resolutions for the issuance of the Series 1997 A Bonds on a parity with the Prior Bonds.

Section 3.13. "Amended Schedule A" Filing. Within sixty (60) days following the Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the gross proceeds of the Series 1997 Bonds and the Grants, the Issuer is hereby authorized to issue and sell its line of credit notes (the "Notes"), in an aggregate principal amount not to exceed \$500,000. The Notes shall be issued as evidence of a line of credit from the Interim Financing Bank. The 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 the Credit Agreement, the form of which is attached hereto as Exhibit C.

Section 4.02. Terms of and Security for Notes; Credit Agreement. The Notes shall be issued with such terms and secured in the manner set forth in the Credit Agreement, the form of which is hereby ratified and approved. The Chairman is hereby authorized and directed to execute and deliver the Credit Agreement on behalf of the Issuer.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the surplus revenues, letter of credit proceeds, if any, and proceeds of the Series 1997 Bonds and the Grants. The 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, if any, of the Issuer is pledged for the payment of the Notes. The holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The 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 the Credit Agreement.

Section 4.04. Letters of Credit. As additional security for the Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree to pay the trustee to be appointed by a supplemental resolution, upon presentation by the trustee of certain certificates, the sum or sums set forth therein but not to exceed \$500,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if previously established by the Prior Resolutions or confirmed if created by the Series 1997 B Bonds Resolution) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- A. Crab Orchard-MacArthur Public Service District Sewerage System Revenue Fund (created by the Series 1986 Bonds Resolution);
- B. Crab Orchard-MacArthur Public Service District Sewerage System Renewal and Replacement Fund (created by the Series 1986 Bonds Resolution);
- C. Crab Orchard-MacArthur Public Service District Sewerage System Series 1997 A Bonds Construction Trust Fund; and
- D. Crab Orchard-MacArthur Public Service District Sewerage System Series 1997 B Bonds Construction Trust Fund (established by the Series 1997 B Bonds Resolution).

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously established by the Prior Resolutions or confirmed if created by the Series 1997 B Bonds Resolution) with the Commission:

- A. Series 1986 B Bonds Sinking Fund (established by the Series 1986 Bonds Resolution);
- B. Within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account (established by the Series 1986 Bonds Resolution);
- C. Series 1996 A Bonds Sinking Fund (established by the Series 1996 A Bonds Resolution);
- D. Within the Series 1996 A Bonds Sinking Fund, the Series 1996 A Bonds Reserve Account (established by the Series 1996 A Bonds Resolution);
- E. Series 1997 A Bonds Sinking Fund;
- F. Within the Series 1997 A Bonds Sinking Fund, the Series 1997 A Bonds Reserve Account;

G. Series 1997 B Bonds Sinking Fund (established by the Series 1997 B Bonds Resolution); and

H. Within the Series 1997 B Bonds Sinking Fund, the Series 1997 B Bonds Reserve Account (established by the Series 1997 B Bonds Resolution).

Section 5.03. System Revenues; Flow of Funds.

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

1. The revenues on deposit in the Revenue Fund shall first each month be used to pay all reasonable Operating Expenses of the System.

2. The Issuer shall next on the first day of each month, transfer from the Revenue Fund and pay the amounts required by the Prior Resolutions to be deposited in the Prior Bonds Sinking Funds for payment of principal and interest on the Prior Bonds, and simultaneously (i) on the first day of each month, commencing 3 months prior to the first date of payment of principal on the Series 1997 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 1997 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 1997 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date, provided that, if insufficient funds are available in the Revenue Fund to make all of the payments listed above, the Issuer shall make the payments pro rata.

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

3. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously, (i) remit to the Commission the amounts required by the Prior Resolutions to be deposited in the Prior Bonds Reserve Accounts, (ii) commencing 3 months prior to the first date of principal of the Series 1997 A Bonds, if not fully funded upon the issuance of the Series 1997 A Bonds, remit to the Commission for deposit in the Series 1997 A Bonds Reserve Account, an amount equal to 1/120th of the Series 1997 A Bonds Reserve Requirement; provided that no further payments shall be made into the Series 1997 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 A Bonds Reserve Requirement; and (iii) commencing 3 months prior to the first date of payment of principal of the Series 1997 B Bonds, if not fully funded upon issuance of the Series 1997 B Bonds, remit to the Commission for deposit in the Series 1997 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1997 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1997 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 B Bonds Reserve Requirement.

4. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, as previously set forth in the Prior Resolutions and not in addition thereto, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1997 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 1997 A Bonds as the same shall become due. Moneys in the Series 1997 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1997 A Bonds, as the same shall come due, when other moneys in the Series 1997 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1997 A Bonds Sinking Fund and Series 1997 A Bonds Reserve Account (if equal to or at least the Series 1997 A Bonds Reserve Requirement) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 1997 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 1997 A Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1997 A Bonds Reserve Account which result in a reduction in the balance of the Series 1997 A Bonds Reserve Account to below the Series 1997 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full to the Series 1986 B Bonds Sinking Fund, the Series 1996 A Bonds Sinking Fund, the Series 1997 A Bonds Sinking Fund and the Series 1997 B Bonds Sinking Fund.

As and when additional Bonds ranking on a parity with the Series 1997 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in a amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1997 A Bonds Sinking Fund, or into the Series 1997 A Bonds Reserve Account therein when the aggregate amount of funds in said Series 1997 A Bonds Sinking Fund and Series 1997 A Bonds Reserve Account are at least equal to the aggregate principal amount of the Series 1997 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

Principal, interest and reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds and the Series 1997 C Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account and the payment of the SRF Administrative Fee as set forth in Schedule Y attached to the Loan Agreement shall be made on the first day of each month, except that when the first day of any month shall be a Saturday, 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 Bond Legislation.

Moneys in the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1997 A Bonds Sinking Fund, including the Series 1997 A Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1997 A Bonds under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds and accounts, 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 such funds and accounts during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System, including debt service on the Notes.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due.

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

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

F. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds: Pledge of Unexpended Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Series 1997 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1997 A Bonds, there shall first be deposited with the Commission in the Series 1997 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1997 A Bonds for the period commencing on the date of issuance of the Series 1997 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1997 A Bonds, there shall be deposited with the Commission in the Series 1997 A Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1997 A Bonds Reserve Account.

C. Next, from the proceeds of the Series 1997 A Bonds, there shall first be credited to the Series 1997 A Bonds Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, together with interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer, including, without limitation, the Notes.

D. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1997 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 1997 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02.

E. After completion of construction of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 1997 A Bonds shall be used to fund the Series 1997 A Bonds Reserve Account, if not funded upon issuance of the Bonds, in an amount not to exceed the Series 1997 A Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 1997 A Bonds be deposited in the Series 1997 A Bonds Reserve Account, and if any such proceeds remain after funding the Series 1997 A Bonds Reserve Account, the same shall be expended as directed by the Authority and DEP.

F. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Series 1997 A Bonds Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Series 1997 A Bonds Construction Trust Fund set forth in the Bond Legislation. Moneys in the Series 1997 A Bonds 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 Series 1997 A Bonds.

Section 6.02. Disbursements From the Series 1997 A Bonds Construction Trust Fund. 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 Series 1997 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 1997 A Bonds Construction Trust Fund (except for costs of issuance of the Series 1997 A Bonds which shall be paid upon the request of the Issuer) shall be made only after submission to, and approval from, the Authority and DEP of the following:

A. A "Payment Requisition Form," the form of which is attached to the Loan Agreement as Exhibit C; and

B. A certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

2. 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;

3. That each of such costs has been otherwise properly incurred; and

4. That payment for each of the items proposed is then due and owing.

All payments made from the Series 1997 A Bonds 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 Series 1997 A Bonds Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Series 1997 A Bonds 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, the Depository Bank shall transfer any moneys remaining in the Series 1997 A Bonds Construction Trust Fund to

the Series 1997 A Bonds Reserve Account, and when fully funded any such remaining moneys shall be expended as directed by the Authority and DEP.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 1997 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1997 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Series 1997 A Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Series 1997 A Bonds not to be Indebtedness of the Issuer. The Series 1997 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any of the Series 1997 A 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, if any, thereon.

Section 7.03. Series 1997 A Bonds Secured by Pledge of Net Revenues; Lien Positions With Respect to Prior Bonds and Series 1997 B Bonds. The payment of the debt service of the Series 1997 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Holders of the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 B Bonds. Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation, the Prior Resolutions and the Series 1997 B Bonds Resolution are hereby irrevocably pledged, in the manner provided herein, to such payments as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Recommended Decision of the Public Service Commission of West Virginia entered December 19, 1995, which Recommended Decision became the Final Order of the Public Service Commission of West Virginia on January 8, 1996, in Case No. 95-0594-PSD-42A, and such rates are hereby ratified and continued.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 1997 A Bonds are Outstanding

and except as otherwise required by law or with the written consent of the Authority and the DEP, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Prior Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds and Prior Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds pro rata, with respect to the principal amount of each of the Bonds and Prior Bonds then Outstanding, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds and Prior Bonds in such manner. Any balance remaining after the payment of all the Bonds and Prior Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$50,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$50,000 but not in excess of \$200,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property shall be deposited in the Renewal and Replacement Fund. Such payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$200,000 and insufficient to pay all Bonds and Prior Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds and Prior Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds and Prior Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07, so long as any of the Series 1997 A Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1997 A Bonds. All obligations issued by the Issuer after the issuance of the Series 1997 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1997 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein 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 Series 1997 A Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 1997 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and 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 7.07. Parity Bonds.

So long as any of the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the respective Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1997 A Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1997 A Bonds, and must have the prior written consent of the Authority and the DEP.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the

improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (1) The Prior Bonds and the Series 1997 Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution or the Series 1997 B Bonds Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the 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.

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

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 in a Supplemental Resolution.

Parity Bonds shall not be deemed to include Bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1997 A Bonds on such revenues. The Issuer shall not issue any

obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1997 A Bonds.

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

Section 7.08. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the DEP, or 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 and the DEP 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 the DEP, or its agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

The Issuer shall file with the Authority and the DEP, 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 Bond Legislation with respect to said Bonds and the status of all said funds and accounts.
- C. The amount of any Prior Bonds and Bonds or other obligations outstanding.

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

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

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

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to

time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% (125% so long as any of the Series 1996 A Bonds remain Outstanding) of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 A Bonds, including the Prior Bonds and the Series 1997 B Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 1997 A Bonds Reserve Account and reserve accounts for obligations prior to or on a parity with the Series 1997 A Bonds, including the Prior Bonds and the Series 1997 B Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 A Bonds, including the Prior Bonds and the Series 1997 B Bonds (but shall remain at 125% so long as any of the Series 1996 A Bonds remain Outstanding). In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 7.04.

Section 7.10. Operating Budget; Audit and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within 30 days of adoption thereof. The Issuer, by the unanimous consent and approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority and the DEP within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject 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 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the DEP and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

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

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

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

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

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

The Issuer agrees that 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 so long as the Series 1997 A Bonds are Outstanding. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 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. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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

Section 7.15. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bonds. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one

hundred percent (100%) basis (completed value form) on the insurable portion of the Project, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

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

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and 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 Division 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 Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.17. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-

producing utility in good condition and in compliance with all Federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1997 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1997 A Bonds and shall be for the equal benefit of all Holders of the Series 1997 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds and the Series 1997 B Bonds.

Section 7.19. Compliance With Loan Agreement and Law. The Issuer agrees to comply with all terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with all copies submitted to the Authority.

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

Section 7.20. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, 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 (or more often if reasonably requested by the Issuer), a summary of such funds, accounts, and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding.

Section 8.02. Information With Respect to Gross Proceeds. The Issuer shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" (as that term is defined in the Code) of the Series 1997-A Bonds from time to time as the Authority may request.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1997 A Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 1997 A Bonds; or

B. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1997 A Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 1997 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

D. If default occurs with respect to the Prior Bonds, the Prior Resolutions, the Series 1997 B Bonds or the Series 1997 B Bonds Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 1997 A Bonds shall be on a parity with the Holders of the Prior Bonds and the Series 1997 B Bonds.

Section 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the

acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder 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 Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds, and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1997 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1997 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1997 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1997 A 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 Series 1997 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1997 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the 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 Series 1997 A 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 Series 1997 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 1997 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1997 A Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 1997 A Bonds shall be made without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Series 1997 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the 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.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Series 1997 A Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 1997 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolutions (so long as the Prior Bonds are Outstanding) or the Series 1997 B Bonds Resolution, the more restrictive provision shall control.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the

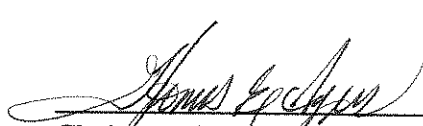
Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

- A. The respective maximum amounts of the Series 1997 A Bonds to be issued.
- B. The respective maximum interest rates and terms of the Series 1997 A Bonds originally authorized hereby.
- C. The public service properties to be acquired or constructed and the cost of the same.
- D. The maximum anticipated rates which will be charged by the Issuer.
- E. The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

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

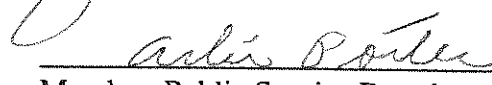
Adopted this 5th day of June, 1997.



Chairman, Public Service Board



Member, Public Service Board



Member, Public Service Board

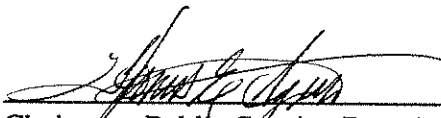
Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

- A. The respective maximum amounts of the Series 1997 A Bonds to be issued.
- B. The respective maximum interest rates and terms of the Series 1997 A Bonds originally authorized hereby.
- C. The public service properties to be acquired or constructed and the cost of the same.
- D. The maximum anticipated rates which will be charged by the Issuer.
- E. The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

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

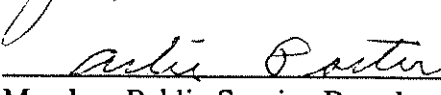
Adopted this 5th day of June, 1997.



Chairman, Public Service Board



Member, Public Service Board



Member, Public Service Board

Exhibit A

DESCRIPTION OF PROJECT

The acquisition and construction of certain additions, betterments and improvements to the Issuer's existing public sewerage facilities, in Raleigh County, West Virginia, consisting of approximately 36,000 linear feet of 8-inch and 6-inch gravity flow sewers, 2 main pumping stations, 7,700 linear feet of 4-inch and 2-inch force mains, approximately 100 manholes and other incidental work and appurtenant facilities in or near the community of Midway, Raleigh County, West Virginia.

Exhibit B

LOAN AGREEMENT

[See Transcript Document No. 3]

Exhibit C

CREDIT AGREEMENT

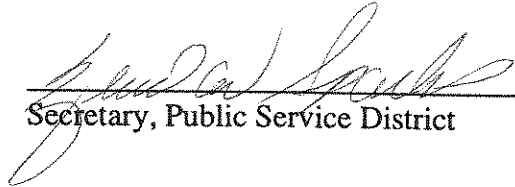
[See Transcript Document No. 31]

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1996.

Dated: June 5, 1997

[SEAL]



Secretary, Public Service District

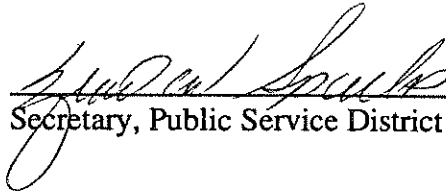
CHS/97658

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1996.

Dated: June 5, 1997

[SEAL]



Secretary, Public Service District

CHS/97658

**CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A
(WEST VIRGINIA SRF PROGRAM)**

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, INTEREST RATE, DATE, MATURITY, REDEMPTION PROVISIONS, PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM) OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT; AUTHORIZING , RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BOND REGISTRAR, DEPOSITORY BANK AND PAYING AGENT; PROVIDING FOR LINE OF CREDIT AND CREDIT LINE NOTE; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Crab Orchard-MacArthur Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution, effective June 5, 1997, (the "Bond Resolution") entitled:

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT OF NOT MORE THAN TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA

SRF PROGRAM); APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING NOT MORE THAN \$500,000 IN A LINE OF CREDIT EVIDENCED BY NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM); AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) of the Issuer (the "Series 1997 A Bonds"), in an aggregate principal amount not to exceed \$250,000, and has authorized the execution and delivery of a loan agreement relating to the Series 1997 A Bonds dated April 18, 1997 (sometimes referred to herein as the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and exact principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provisions, sale price and other terms of the Series 1997 A Bonds should be established by a supplemental resolution pertaining to the Series 1997 A Bonds; and that other matters relating to the Series 1997 A Bonds be herein provided for;

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

WHEREAS, the Series 1997 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be ratified, approved and entered into by the Issuer, that the exact principal amount, the price, the maturity date, the redemption provisions, the interest rate and the interest and principal payment dates of the Series 1997 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 1997 A Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) of the Issuer, originally represented by a single bond, numbered AR-1, in the principal amount of \$250,000. The Series 1997 A Bonds shall be dated the date of delivery thereof, shall finally mature on December 1, 2018, and shall bear no interest. The principal of the Series 1997 A Bonds shall be payable in quarterly installments of principal on March 1, June 1, September 1 and December 1 of each year commencing March 1, 1999 and ending December 1, 2018, and in the amounts set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made part of the Series 1997 A Bonds. The Series 1997 A Bonds shall be subject to redemption upon the consent of the Authority and DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 1997 A Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1% of the principal amount of the Series 1997 A Bonds set forth in "Schedule Y" attached to the Loan Agreement.

Section 2. All other provisions relating to the Series 1997 A Bonds and the text of the Series 1997 A Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, ratified, approved and directed. The price of the Series 1997 A Bonds shall be 100% of par value, there being no interest accrued thereon, provided that, the proceeds of the Series 1997 A Bonds shall be advanced from time to time as requisitioned by the Issuer, and at closing there shall be requisitioned and advanced a portion of the proceeds in the amount of \$15,000, being more than a de minimis amount. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the DEP and the Authority.

Section 4. The Issuer hereby agrees to comply with the special conditions set forth in Exhibit E to the Loan Agreement.

Section 5. The Issuer does hereby appoint and designate United National Bank, Charleston, West Virginia, as Registrar for the Series 1997 A Bonds.

Section 6. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1997 A Bonds.

Section 7. The Issuer does hereby appoint and designate United National Bank, Beckley, West Virginia, as Depository Bank under the Bond Resolution.

Section 8. The Issuer does hereby appoint and designate United National Bank, Beckley, West Virginia, as Interim Financing Bank under the Bond Resolution.

Section 9. The Series 1997 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1997 A Bonds Sinking Fund as capitalized interest.

Section 10. The Series 1997 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1997 A Bonds Reserve Account.

Section 11. The remaining proceeds of the Series 1997 A Bonds shall be deposited in the Series 1997 A Bonds Construction Trust Fund as received from time to time for payment of costs of the Project, including repayment of any temporary bank loans or Authority advances made or incurred with respect to the Project and payment of cost of issuance of the Series 1997 A Bonds.

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 1997 A Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 1997 A Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about June 5, 1997.

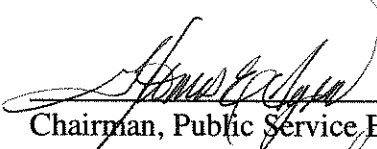
Section 13. The acquisition and construction of the Project and the permanent financing of the Costs thereof with the proceeds of the Series 1997 A Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank in time deposits of the Depository Bank meeting the requirements set forth under the definition of "Qualified Investments" in the Bond Resolution and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits, until further directed by the Issuer. Monies in the Series 1997 A Bonds Sinking Fund, including the Series 1997 A Bonds Reserve Account therein, shall be invested by the Municipal Bond Commission in the West Virginia Restricted Consolidated Fund.

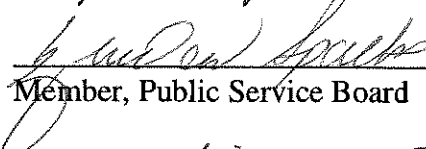
Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 5th day of June, 1997.

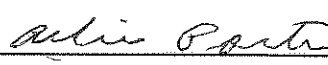
CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT



Chairman, Public Service Board



Member, Public Service Board



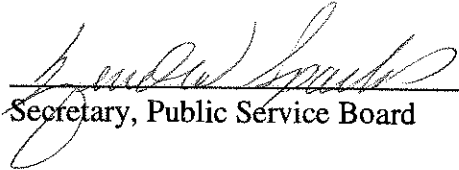
Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1997

Dated: June 5, 1997.

[SEAL]



Secretary, Public Service Board

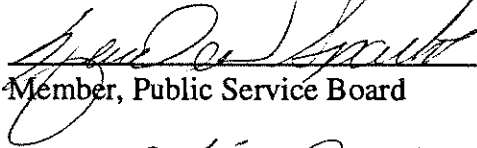
CHS/96206

Adopted this 5th day of June, 1997.

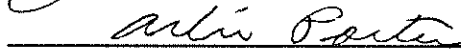
CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT



Chairman, Public Service Board



Member, Public Service Board



Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1997

Dated: June 5, 1997.

[SEAL]


Secretary, Public Service Board

CHS/96206

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 Department of Commerce, Labor and Environmental Resources (the "DEP"), and the local government designated below (the "Local Government").

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the construction, acquisition and 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 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 Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and 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 a copy of each 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 of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

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

(xii) That the Local Government shall annually adopt a detailed 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

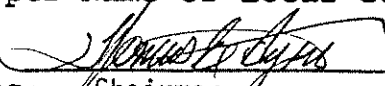
(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Loan made under this Loan Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the legislature 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.

Crab Orchard-MacArthur PSD

[Proper Name of Local Government]

(SEAL)

By: 
Its: Chairman

Attest:

Date: April 22, 1997

[Signature]
Its Secretary

WEST VIRGINIA DIVISION OF
ENVIRONMENTAL PROTECTION

By: [Signature]
Its: Chief, Office of Water Resources
Date: 4/25/97

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: [Signature]
Its: Director

Attest:

Date: April 18, 1997

[Signature]
Secretary-Treasurer

APPROVED AS TO FORM PRIOR TO
ACKNOWLEDGEMENT THEREOF, THIS
25th day of August, 19 92.

BY: [Signature]
Attorney General
DEPUTY ATTORNEY GENERAL

EXHIBIT A

Certificate of Performance
for
Publicly Owned Treatment Works

I. As required by the Clean Water Act under Title VI, Section 602(b)(6), and the Loan Agreement, the Local Government does hereby certify that it has :

- a. Provided to the WV DEP written notification of the actual date of initiation of operation. This date of initiation was on the _____ day of _____, 19____.
- b. Utilized the services of _____,
our prime engineer who either:

Supervised our project construction; and/or

Provided architectural and engineering services during construction.

For a period of twelve (12) months following the initiation of operations, the prime engineer provided the following services:

- 1) Directed project operation and maintenance; and
- 2) Trained operating personnel and prepared the required curricula and training materials, and revised the operation and maintenance manual(s); and
- 3) Advised the Local Government on the status of the project meeting performance standards.

II. The Local Government, having access to and control of all the necessary data, and having monitored the construction of this project, hereby certifies that the project built under this Loan Agreement meets:

- a. The specifications for which the project was planned, designed, and built.
- b. The effluent limitations contained in its NPDES permit, if applicable.

Local Government Name

Local Government Representative's Name and Title

Date

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>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 _____, 19____

[Name of Local Government]

By: _____
Authorized Officer

EXHIBIT C

PAYMENT REQUISITION FORM

(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]

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.

EXHIBIT F

[Monthly Payment Form]

West Virginia Water Development
Authority
1201 Dunbar Avenue
Dunbar, WV 25064

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
1201 Dunbar Avenue
Dunbar, West Virginia 25064

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>
-------------	--------------------	----------------------

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	\$ 250,000
Purchase Price of Bonds	\$ 250,000

Interest on the Bonds shall be zero percent from the date of delivery ~~to and including~~----- Principal and interest on the Bonds is payable quarterly, commencing March 1, 1999, at a rate of 0 % 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 . *

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.

*Water Development Authority - Sewerage System Revenue Bonds, 1986 Series B, issued May 29, 1986, in the original principal amount of \$161,688.

Crab Orchard-MacArthur PSD - Sewerage System Refunding Revenue Bonds, 1996 Series A, issued August 28, 1996, in the original principal amount of \$4,925,000.

SCHEDULE Y

Crab Orchard - MacArthur Public Service District
 \$250,000 Loan
 0% Interest, 1% Administrative Fee
 20 Years
 DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	.	.	.
3/01/1999	3,125.00	-	3,125.00
6/01/1999	3,125.00	-	3,125.00
9/01/1999	3,125.00	-	3,125.00
12/01/1999	3,125.00	-	3,125.00
3/01/2000	3,125.00	-	3,125.00
6/01/2000	3,125.00	-	3,125.00
9/01/2000	3,125.00	-	3,125.00
12/01/2000	3,125.00	-	3,125.00
3/01/2001	3,125.00	-	3,125.00
6/01/2001	3,125.00	-	3,125.00
9/01/2001	3,125.00	-	3,125.00
12/01/2001	3,125.00	-	3,125.00
3/01/2002	3,125.00	-	3,125.00
6/01/2002	3,125.00	-	3,125.00
9/01/2002	3,125.00	-	3,125.00
12/01/2002	3,125.00	-	3,125.00
3/01/2003	3,125.00	-	3,125.00
6/01/2003	3,125.00	-	3,125.00
9/01/2003	3,125.00	-	3,125.00
12/01/2003	3,125.00	-	3,125.00
3/01/2004	3,125.00	-	3,125.00
6/01/2004	3,125.00	-	3,125.00
9/01/2004	3,125.00	-	3,125.00
12/01/2004	3,125.00	-	3,125.00
3/01/2005	3,125.00	-	3,125.00
6/01/2005	3,125.00	-	3,125.00
9/01/2005	3,125.00	-	3,125.00
12/01/2005	3,125.00	-	3,125.00
3/01/2006	3,125.00	-	3,125.00
6/01/2006	3,125.00	-	3,125.00
9/01/2006	3,125.00	-	3,125.00
12/01/2006	3,125.00	-	3,125.00
3/01/2007	3,125.00	-	3,125.00
6/01/2007	3,125.00	-	3,125.00
9/01/2007	3,125.00	-	3,125.00
12/01/2007	3,125.00	-	3,125.00
3/01/2008	3,125.00	-	3,125.00
6/01/2008	3,125.00	-	3,125.00
9/01/2008	3,125.00	-	3,125.00
12/01/2008	3,125.00	-	3,125.00
3/01/2009	3,125.00	-	3,125.00
6/01/2009	3,125.00	-	3,125.00
9/01/2009	3,125.00	-	3,125.00
12/01/2009	3,125.00	-	3,125.00
3/01/2010	3,125.00	-	3,125.00
6/01/2010	3,125.00	-	3,125.00

Crab Orchard - MacArthur Public Service District
\$250,000 Loan
0% Interest, 1% Administrative Fee
20 Years
DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2010	3,125.00	-	3,125.00
12/01/2010	3,125.00	-	3,125.00
3/01/2011	3,125.00	-	3,125.00
6/01/2011	3,125.00	-	3,125.00
9/01/2011	3,125.00	-	3,125.00
12/01/2011	3,125.00	-	3,125.00
3/01/2012	3,125.00	-	3,125.00
6/01/2012	3,125.00	-	3,125.00
9/01/2012	3,125.00	-	3,125.00
12/01/2012	3,125.00	-	3,125.00
3/01/2013	3,125.00	-	3,125.00
6/01/2013	3,125.00	-	3,125.00
9/01/2013	3,125.00	-	3,125.00
12/01/2013	3,125.00	-	3,125.00
3/01/2014	3,125.00	-	3,125.00
6/01/2014	3,125.00	-	3,125.00
9/01/2014	3,125.00	-	3,125.00
12/01/2014	3,125.00	-	3,125.00
3/01/2015	3,125.00	-	3,125.00
6/01/2015	3,125.00	-	3,125.00
9/01/2015	3,125.00	-	3,125.00
12/01/2015	3,125.00	-	3,125.00
3/01/2016	3,125.00	-	3,125.00
6/01/2016	3,125.00	-	3,125.00
9/01/2016	3,125.00	-	3,125.00
12/01/2016	3,125.00	-	3,125.00
3/01/2017	3,125.00	-	3,125.00
6/01/2017	3,125.00	-	3,125.00
9/01/2017	3,125.00	-	3,125.00
12/01/2017	3,125.00	-	3,125.00
3/01/2018	3,125.00	-	3,125.00
6/01/2018	3,125.00	-	3,125.00
9/01/2018	3,125.00	-	3,125.00
12/01/2018	3,125.00	-	3,125.00
TOTAL	250,000.00	-	250,000.00 *

*Plus one-percent administrative fee paid quarterly in the amount of \$316.41. Total administrative fee paid over the life of the loan is \$25,312.80.

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 B

(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND AND INTERIM FINANCING RESOLUTION

**CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 B
(WEST VIRGINIA INFRASTRUCTURE FUND)**

BOND AND INTERIM FINANCING RESOLUTION

Table of Contents

ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	1
<u>Section 1.01. Authority for this Resolution.</u>	1
<u>Section 1.02. Findings.</u>	1
<u>Section 1.03. Bond Legislation Constitutes Contract.</u>	4
<u>Section 1.04. Definitions.</u>	4
ARTICLE II - AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT	12
<u>Section 2.01. Authorization of Acquisition and Construction of the Project.</u>	12
ARTICLE III - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT	13
<u>Section 3.01. Authorization of Bonds.</u>	13
<u>Section 3.02. Terms of Bonds.</u>	13
<u>Section 3.03. Execution of Bonds.</u>	14
<u>Section 3.04. Authentication and Registration.</u>	14
<u>Section 3.05. Negotiability, Transfer and Registration.</u>	14
<u>Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost.</u>	15
<u>Section 3.07. Bonds not to be Indebtedness of the Issuer.</u>	15
<u>Section 3.08. Bonds Secured by Pledge of Net Revenues, Lien Positions With Respect to Prior Bonds and Series 1997 A Bonds</u>	15
<u>Section 3.09. Delivery of Bonds</u>	16
<u>Section 3.10. Form of Series 1997 B Bonds.</u>	16
<u>Section 3.11. Sale of Series 1997 B Bonds; Approval and Ratification of Execution of Loan Agreement.</u>	25
<u>Section 3.12. Series 1997 B Bonds are Issued as Parity Bonds With Respect to Prior Bonds and Series 1997 A Bonds.</u>	25
<u>Section 3.13. "Amended Schedule A" Filing.</u>	25
ARTICLE IV - INTERIM CONSTRUCTION FINANCING	26
<u>Section 4.01. Authorization and General Terms.</u>	26
<u>Section 4.02. Terms of and Security for Notes; Credit Agreement.</u>	26
<u>Section 4.03. Notes are Special Obligations.</u>	26
<u>Section 4.04. Letters of Credit.</u>	26

ARTICLE V - FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF	27
<u>Section 5.01. Establishment of Funds and Accounts with Depository Bank.</u>	27
<u>Section 5.02. Establishment of Funds and Accounts with Commission.</u>	27
<u>Section 5.03. System Revenues; Flow of Funds.</u>	28
ARTICLE VI - BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS	32
<u>Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds.</u>	32
<u>Section 6.02. Disbursements From the Series 1997 B Bonds Construction Trust Fund.</u>	33
ARTICLE VII - ADDITIONAL COVENANTS OF THE ISSUER	34
<u>Section 7.01. General Covenants of the Issuer.</u>	34
<u>Section 7.02. Series 1997 B Bonds not to be Indebtedness of the Issuer.</u>	34
<u>Section 7.03. Series 1997 B Bonds Secured by Pledge of Net Revenues; Lien Positions</u> <u>With Respect to Prior Bonds and Series 1997 A Bonds.</u>	34
<u>Section 7.04. Initial Schedule of Rates and Charges.</u>	34
<u>Section 7.05. Sale of the System.</u>	34
<u>Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General</u> <u>Covenant Against Encumbrances.</u>	36
<u>Section 7.07. Parity Bonds.</u>	36
<u>Section 7.08. Books, Records and Facilities.</u>	38
<u>Section 7.09. Rates.</u>	39
<u>Section 7.10. Operating Budget; Audit and Monthly Financial Report.</u>	40
<u>Section 7.11. Engineering Services and Operating Personnel.</u>	40
<u>Section 7.12. No Competing Franchise.</u>	41
<u>Section 7.13. Enforcement of Collections.</u>	41
<u>Section 7.14. No Free Services.</u>	42
<u>Section 7.15. Insurance and Construction Bonds.</u>	42
<u>Section 7.16. Mandatory Connections.</u>	42
<u>Section 7.17. Completion and Operation of Project; Permits and Orders.</u>	43
<u>Section 7.18. Statutory Mortgage Lien.</u>	43
<u>Section 7.19. Compliance With Loan Agreement and Law.</u>	43
<u>Section 7.20. Securities Laws Compliance</u>	44
ARTICLE VIII - INVESTMENT OF FUNDS; NON ARBITRAGE	45
<u>Section 8.01. Investments.</u>	45
<u>Section 8.02. Information With Respect to Gross Proceeds.</u>	45
ARTICLE IX - DEFAULT AND REMEDIES	46
<u>Section 9.01. Events of Default.</u>	46
<u>Section 9.02. Remedies.</u>	46
<u>Section 9.03. Appointment of Receiver.</u>	46

ARTICLE X - DEFEASANCE	48
<u>Section 10.01. Defeasance of Series 1997 B Bonds.</u>	48
ARTICLE XI - MISCELLANEOUS	49
<u>Section 11.01. Amendment or Modification of Bond Legislation.</u>	49
<u>Section 11.02. Bond Legislation Constitutes Contract.</u>	49
<u>Section 11.03. Severability of Invalid Provisions.</u>	49
<u>Section 11.04. Headings, Etc.</u>	49
<u>Section 11.05. Conflicting Provisions Repealed.</u>	49
<u>Section 11.06. Covenant of Due Procedure, Etc.</u>	49
<u>Section 11.07. Public Notice of Proposed Financing.</u>	50
<u>Section 11.08. Effective Date.</u>	50
Exhibit A - DESCRIPTION OF PROJECT	51
Exhibit B - LOAN AGREEMENT	52
Exhibit C - CREDIT AGREEMENT	53

Page

**CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 B
(WEST VIRGINIA INFRASTRUCTURE FUND)**

BOND AND INTERIM FINANCING RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT OF NOT MORE THAN ONE MILLION SEVEN HUNDRED SEVENTY-FOUR THOUSAND THREE HUNDRED DOLLARS (\$1,774,300.00) IN AGGREGATE PRINCIPAL AMOUNT OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING ON BEHALF OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING NOT MORE THAN \$500,000 IN A LINE OF CREDIT EVIDENCED BY NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Crab Orchard-MacArthur Public Service District (the "Issuer") is a public service district, public corporation and political subdivision of the State of West Virginia in Raleigh County of said State.

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements to the Issuer's existing public sewerage facilities, including the additions, betterments and improvements described in Exhibit A hereto (collectively, the "Project") (the Issuer's existing sewerage facilities, the Project and any further additions thereto or extensions thereof is herein called the "System") in accordance with the plans and specifications prepared by Dunn Engineers, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The acquisition and construction of the System was financed with the proceeds from \$3,685,177.00 in principal amount of the Issuer's Sewer Revenue Bonds, Series 1986 A (the "Series 1986 A Bonds") and \$161,688 in principal amount of the Issuer's Sewer Revenue Bonds, Series 1986 B (the "Series 1986 B Bonds"), issued on May 29, 1986, authorized pursuant to the Bond Resolution adopted by the Issuer on May 27, 1986, as supplemented and amended (the "Series 1986 Bonds Resolution").

D. The Series 1986 A Bonds were refunded and defeased in accordance with the Series 1986 Bonds Resolution with a portion of the Issuer's Sewerage System Refunding Revenue Bonds, Series 1996 A (the "Series 1996 A Bonds"), dated July 15, 1996, authorized pursuant to the Bond Resolution adopted by the Issuer on July 23, 1996, as supplemented and amended (the "Series 1996 A Bonds Resolution") (the Series 1986 Bonds Resolution and the Series 1996 A Bonds Resolution are collectively referred to herein as the "Prior Resolutions").

E. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Series 1986 B Bonds and the Series 1996 A Bonds (collectively, the "Prior Bonds"), said revenues are not pledged or encumbered in any manner.

F. The estimated maximum cost of the construction and acquisition of the Project and issuance of the Series 1997 Bonds, as hereinafter defined, is \$3,019,300, of which (i) \$250,000 will be permanently financed with the proceeds of the Issuer's Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) (the "Series 1997 A Bonds") to be issued concurrently with the issuance of the Series 1997 B Bonds hereinafter defined, (ii) \$1,774,300 will be permanently financed with the proceeds of the Issuer's Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund) (the "Series 1997 B Bonds") authorized herein, (iii) \$745,000 will be paid with the proceeds of a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), and (iv) \$250,000 will be paid with the proceeds of a grant from the County Commission of Raleigh County, West Virginia (the Series 1997 A Bonds and the Series 1997 B Bonds are collectively referred to herein as the "Series 1997 Bonds").

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 1997 Bonds and the Prior Bonds, and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions, and in the Series 1997 A Bonds Resolution, as such term is hereinafter defined.

H. It is further deemed necessary for the Issuer to issue the Series 1997 B Bonds, in the total aggregate principal amount of not more than \$1,774,300, initially to be represented by a single bond, to permanently finance a portion of the costs of acquisition and construction of the Project, as hereinafter defined. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon such Bonds prior to and during construction and acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 1997 B Bonds Reserve Account, as hereinafter defined; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (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 such Series 1997 B Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of such Series 1997 B Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

J. It is in the best interest of the Issuer that its Series 1997 B Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the Council (as hereinafter defined) the execution, delivery and form of which are authorized and approved herein. The Issuer has met the requirements of the Prior Resolutions for the issuance of the Series 1997 B Bonds on a parity with the Prior Bonds and has received, or will receive prior to the bond closing date, written consent from the owner of the Series 1986 B Bonds to issue the Series 1997 B Bonds on a parity with the lien of the Series 1986 B Bonds.

K. There will be issued concurrently on the Closing Date, additional obligations of the Issuer which will rank on a parity with the Series 1997 B Bonds and the Prior Bonds as to liens, pledge, source of and security for payment, being the Series 1997 A Bonds, to be issued pursuant to a separate resolution adopted by the Issuer simultaneously herewith (the "Series 1997 A Bonds Resolution"). There are no outstanding obligations of the Issuer other than the Series 1986

B Bonds and the Series 1996 A Bonds which will rank either senior and prior to or on parity with the Series 1997 Bonds as to liens and sources of and security for payment.

L. The Series 1997 B Bonds shall be issued with a lien on the Net Revenues, as hereinafter defined, on a parity with the lien held by the Holders of the Prior Bonds and the Series 1997 A Bonds.

M. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System, and issuance of the Series 1997 B Bonds or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Public Convenience and Necessity, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Series 1997 B Bonds or has been waived by all necessary parties.

N. It is in the best interests of the Issuer that the Issuer enter into an interim financing agreement with the Interim Financing Bank as further provided in Article IV hereof.

O. The Project has been reviewed and determined to be technically and financially feasible by the Council (as hereinafter defined) as required under the Act, and the Council has authorized the Authority to make a loan to the Issuer from the West Virginia Infrastructure Fund.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1997 B Bonds by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such 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 Series 1997 B Bonds, as the case may be, 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 31, Article 15A of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, which is expected to be the original purchaser and Registered Owner of the Series 1997 B Bonds, acting in its administrative capacity and upon authorization from the Council under the Act.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

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

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

"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 Series 1997 A Bonds, the Series 1997 B Bonds and, where appropriate, any Bonds on a parity therewith subsequently issued hereunder or pursuant to another resolution of the Issuer.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Series 1997 B Bonds in substantially the form set forth in the bond form contained herein.

"Chairman" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 1997 B Bonds for an advance of more than a de minimis amount of the principal of the Series 1997 B Bonds by the Authority.

"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 Dunn Engineers, Inc., or any professional engineer or firm of professional engineers, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

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

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

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

"Event of Default" means any occurrence or event specified in Section 9.01.

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

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Section 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" shall mean any public accountant or certified public accountant or firm of public accountants or 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.

"Interim Financing Bank" means the bank providing the interim financing authorized and approved in Article IV hereof, which bank shall be designated in a resolution supplemental hereto.

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

"Loan Agreement" means the Loan Agreement entered into or to be entered into by and between the Authority, on behalf of the Council, and the Issuer providing for the purchase of the Series 1997 B Bonds from the Issuer by the Authority, attached hereto as Exhibit B, the form of which is approved, and the execution and delivery by the Issuer are authorized and directed by Section 3.11 hereof and by the Supplemental Resolution.

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

"Notes" means the line of credit notes of the Issuer described in 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, the SRF Administrative Fee (as defined in the Series 1997 A Bonds Resolution), fees and expenses of 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 or Prior 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 as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity

or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X and (iv) for purposes of consents or other action by a specified percentage of Bondholders, Bonds registered to the Issuer.

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

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer in a Supplemental Resolution.

"Prior Bonds" means the Series 1986 B Bonds and the Series 1996 A Bonds.

"Prior Bonds Reserve Accounts" means the Reserve Account or Accounts established for the Prior Bonds in the Prior Resolutions.

"Prior Bonds Sinking Funds" means the Sinking Fund or Funds established for the Prior Bonds in the Prior Resolutions.

"Prior Resolutions" means the Series 1986 Bonds Resolution and the Series 1996 A Bonds Resolution.

"Project" means the wastewater treatment facility project described in Exhibit A attached hereto, constituting additions, betterments and improvements to the existing sewerage system of the Issuer.

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

- A. Government Obligations;
- B. Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- C. 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;
- D. Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that 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;

E. Money market funds or similar funds whose only assets are investments of the type described in paragraphs (A) through (D) above;

F. Repurchase agreements, fully secured by investments of the types described in paragraphs (A) through (D) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of 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;

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

H. 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.

"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.

"Registrar" means the Bond Registrar.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Series 1986 Bonds Resolution and continued by Section 5.01 hereof.

"Reserve Accounts" means, collectively, the Prior Bonds Reserve Accounts, the Series 1997 A Bonds Reserve Account and the Series 1997 B Bonds Reserve Account.

"Reserve Requirement" means, collectively, the respective amount required to be on deposit in any Reserve Account for the Bonds.

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

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

"Series 1986 Bonds Resolution" means the Bond Resolution adopted by the Issuer on May 27, 1986, authorizing, among other things, the issuance of the Series 1986 B Bonds, as supplemented and amended.

"Series 1986 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1986 B issued on May 29, 1986 in the original principal amount of \$161,688.

"Series 1996 A Bonds" means the Issuer's Sewerage System Refunding Revenue Bonds, Series 1996 A, dated July 15, 1996, issued in the original principal amount of \$4,925,000.

"Series 1996 A Bonds Resolution" means the Bond Resolution adopted by the Issuer on July 23, 1996, authorizing the issuance of the Series 1996 A Bonds, as supplemented and amended.

"Series 1997 Bonds" means the Series 1997 A Bonds and the Series 1997 B Bonds.

"Series 1997 A Bonds" means the not more than \$250,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program), of the Issuer, authorized by the Series 1997 A Bonds Resolution.

"Series 1997 A Bonds Construction Trust Fund" means the Series 1997 A Bonds Construction Trust Fund established by Section 5.01 of the Series 1997 A Bonds Resolution.

"Series 1997 A Bonds Reserve Account" means the Series 1997 A Bonds Reserve Account established in the Series 1997 A Bonds Sinking Fund pursuant to Section 5.02 of the Series 1997 A Bonds Resolution.

"Series 1997 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1997 A Bonds in the then concurrent or any succeeding year.

"Series 1997 A Bonds Resolution" means the resolution of the Issuer adopted simultaneously herewith, authorizing the Series 1997 A Bonds.

"Series 1997 A Bonds Sinking Fund" means the Series 1997 A Bonds Sinking Fund established by Section 5.02 of the Series 1997 A Bonds Resolution.

"Series 1997 B Bonds" means the not more than \$1,774,300 aggregate principal amount of Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 1997 B Bonds Construction Trust Fund" means the Series 1997 B Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 1997 B Bonds Reserve Account" means the Series 1997 B Bonds Reserve Account established in the Series 1997 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1997 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1997 B Bonds in the then current or any succeeding year.

"Series 1997 B Bonds Sinking Fund" means the Series 1997 B Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the Prior Bonds Sinking Funds, the Series 1997 A Bonds Sinking Fund and the Series 1997 B Bonds Sinking Fund.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 1997 B Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1997 B Bonds; and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, as further defined in Section 5.03(B) hereof.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereof, both within and without said Issuer.

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

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

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$3,019,300 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1997 B Bonds hereby authorized shall be applied as provided in Article VI hereof.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Council. The Issuer will enter into a contract for the acquisition and construction of the Project simultaneously with the issuance of the Series 1997 B Bonds.

The cost of the Project is estimated not to exceed \$3,019,300, which is to be paid as set forth in 1.02F hereof.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1997 B Bonds, funding a reserve account for the Series 1997 B Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 1997 B Bonds, and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Series 1997 B Bonds of the Issuer. Said Series 1997 B Bonds shall be issued in one series to be designated "Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund)," in the aggregate principal amount of not more than \$1,774,300, and shall have such terms as set forth herein and in the Supplemental Resolution. The proceeds of such Series 1997 B Bonds remaining after the funding of the Series 1997 B Reserve Account (if funded from the Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 1997 B Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1997 B Bonds shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1997 B Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1997 B Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1997 B Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1997 B Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1997 B Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, substantially corresponding to the principal installments or maturities of the Bonds being exchanged; provided that, the net interest cost amount on the exchanged Bonds shall not exceed the net interest cost amount on the Bonds being exchanged; and provided further, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated as of the date

specified in a Supplemental Resolution and shall bear interest, if any, as provided in such Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 1997 B 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 Series 1997 B Bonds shall cease to be such officer of the Issuer before the Series 1997 B Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1997 B Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1997 B Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1997 B Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1997 B 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 Series 1997 B 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 Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 1997 B Bonds remain Outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain the books for the registration and transfer of the Series 1997 B Bonds.

The registered Series 1997 B Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 1997 B Bonds or transferring the registered Series 1997 B Bonds are exercised, Series 1997 B Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 1997 B Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 1997 B Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 1997 B Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 1997 B Bonds or, in the case of any proposed redemption of Series 1997 B Bonds, next preceding the date of the selection of Series 1997 B Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1997 B Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1997 B 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 1997 B Bonds Reserve Account. No holder or holders of any of the Series 1997 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1997 B Bonds or the interest, if any, thereon. The Issuer has no taxing power.

Section 3.08. Bonds Secured by Pledge of Net Revenues, Lien Positions With Respect to Prior Bonds and Series 1997 A Bonds. The payment of the debt service of all the Series 1997 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds and the Series 1997 A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Series 1997 Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein, and the Renewal and Replacement Fund established in the Series 1986 Bonds Resolution and

continued herein, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1997 Bonds and the Prior Bonds as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1997 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1997 B Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1997 B Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1997 B Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1997 B Bonds.

Section 3.10. Form of Series 1997 B Bonds. The text of the Series 1997 B Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof;

[Form of Series 1997 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND,
SERIES 1997 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-_____

\$_____

KNOW ALL MEN BY THESE PRESENTS: That CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year commencing on _____, _____, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, without interest, except that the final installment shall be paid at the end of forty years from the date of this Bond in the sum of the unpaid principal on the date thereof.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may only be redeemed prior to its stated date of maturity in whole or in part with the express written consent of the Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council, dated _____, 19__.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia

Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on _____, 19__ and a Supplemental Resolution duly adopted by the Issuer on _____, 19__ (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE SEWER REVENUE BONDS, SERIES 1986 B, OF THE ISSUER, ISSUED MAY 29, 1986, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$161,688 (THE "SERIES 1986 B BONDS"); THE SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1996 A, OF THE ISSUER, DATED JULY 15, 1996, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$4,925,000 (THE "SERIES 1996 A BONDS"); AND THE SEWERAGE SYSTEM REVENUE BOND, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM), OF THE ISSUER, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL PRINCIPAL AMOUNT OF \$250,000 (THE "SERIES 1997 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation), on a parity with the pledge of the Net Revenues in favor of the holders of the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 A Bonds to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1997 B Bonds 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 1997 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% (125% so long as any of the Series 1996 A Bonds remain Outstanding) 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 revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 A Bonds, provided however, that so long as there exists in the Series 1997 B Bonds 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 respective reserve accounts established for any other obligations Outstanding prior to or on a parity with the Bonds, including the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 A Bonds, an amount at least

equal to the requirement therefor, such percentage may be reduced to 110% (but shall remain at 125% so long as any of the Series 1996 A Bonds remain Outstanding). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and 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 Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CRAB ORCHARD-MACARTHUR 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 _____, 19____.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____,

as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	<u>Amount</u>	<u>Date</u>		<u>Amount</u>	<u>Date</u>
(1)	\$		(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

Total \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)
ASSIGNMENT

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

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

Dated: _____, 19____.

In the presence of:

Section 3.11. Sale of Series 1997 B Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1997 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit B" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Series 1997 B Bonds are Issued as Parity Bonds With Respect to Prior Bonds and Series 1997 A Bonds. The Series 1997 B Bonds are issued as and shall constitute parity Bonds with respect to the Prior Bonds and Series 1997 A Bonds. The Issuer has met the requirements of the Prior Resolutions for the issuance of the Series 1997 B Bonds on a parity with the Prior Bonds.

Section 3.13. "Amended Schedule A" Filing. Within sixty (60) days following the completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the gross proceeds of the Series 1997 Bonds and the Grants, the Issuer is hereby authorized to issue and sell its line of credit notes (the "Notes"), in an aggregate principal amount not to exceed \$500,000. The Notes shall be issued as evidence of a line of credit from the Interim Financing Bank. The 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 the Credit Agreement, the form of which is attached hereto as Exhibit C.

Section 4.02. Terms of and Security for Notes; Credit Agreement. The Notes shall be issued with such terms and secured in the manner set forth in the Credit Agreement, the form of which is hereby ratified and approved. The Chairman is hereby authorized and directed to execute and deliver the Credit Agreement on behalf of the Issuer.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the surplus revenues, letter of credit proceeds, if any, and proceeds of the Series 1997 Bonds and the Grants. The 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, if any, of the Issuer is pledged for the payment of the Notes. The holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The 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 the Credit Agreement.

Section 4.04. Letters of Credit. As additional security for the Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree to pay the trustee to be appointed by a supplemental resolution, upon presentation by the trustee of certain certificates, the sum or sums set forth therein but not to exceed \$500,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if previously established by the Prior Resolutions or confirmed if created by the Series 1997 A Bonds Resolution) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- A. Crab Orchard-MacArthur Public Service District Sewerage System Revenue Fund (created by the Series 1986 Bonds Resolution);
- B. Crab Orchard-MacArthur Public Service District Sewerage System Renewal and Replacement Fund (created by the Series 1986 Bonds Resolution);
- C. Crab Orchard-MacArthur Public Service District Sewerage System Series 1997 A Bonds Construction Trust Fund (established by the Series 1997 A Bonds Resolution); and
- D. Crab Orchard-MacArthur Public Service District Sewerage System Series 1997 B Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously established by the Prior Resolutions or confirmed if created by the Series 1997 A Bonds Resolution) with the Commission:

- A. Series 1986 B Bonds Sinking Fund (established by the Series 1986 Bonds Resolution);
- B. Within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account (established by the Series 1986 Bonds Resolution);
- C. Series 1996 A Bonds Sinking Fund (established by the Series 1996 A Bonds Resolution);
- D. Within the Series 1996 A Bonds Sinking Fund, the Series 1996 A Bonds Reserve Account (established by the Series 1996 A Bonds Resolution);
- E. Series 1997 A Bonds Sinking Fund (established by the Series 1997 A Bonds Resolution);

F. Within the Series 1997 A Bonds Sinking Fund, the Series 1997 A Bonds Reserve Account (established by the Series 1997 A Bonds Resolution);

G. Series 1997 B Bonds Sinking Fund; and

H. Within the Series 1997 B Bonds Sinking Fund, the Series 1997 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds.

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

1. The revenues on deposit in the Revenue Fund shall first each month be used to pay all reasonable Operating Expenses of the System.

2. The Issuer shall next on the first day of each month, transfer from the Revenue Fund and pay the amounts required by the Prior Resolutions to be deposited in the Prior Bonds Sinking Funds for payment of principal and interest on the Prior Bonds, and simultaneously (i) on the first day of each month, commencing 3 months prior to the first date of payment of principal on the Series 1997 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 1997 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 1997 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date, provided that, if insufficient funds are available in the Revenue Fund to make all of the payments listed above, the Issuer shall make the payments pro rata.

3. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously, (i) remit to the Commission the amounts required by the Prior Resolutions to be deposited in the Prior Bonds Reserve Accounts, (ii) commencing 3 months prior to the first date of principal of the Series 1997 A Bonds, if not fully funded upon the issuance of the Series 1997 A Bonds, remit to the Commission for deposit in the Series 1997 A Bonds Reserve Account, an amount equal to 1/120th of the Series 1997 A Bonds Reserve Requirement; provided that no further payments shall be made into the Series 1997 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 A Bonds Reserve Requirement; and (iii) commencing 3 months prior to the first date of payment of principal of the Series 1997 B Bonds, if not fully funded upon issuance of the Series 1997 B Bonds, remit to the Commission for deposit in the Series 1997 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1997 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1997 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 B Bonds Reserve Requirement.

4. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, as previously set forth in the Prior Resolutions and not in addition thereto, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1997 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 1997 B Bonds as the same shall become due. Moneys in the Series 1997 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1997 B Bonds, as the same shall come due, when other moneys in the Series 1997 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1997 B Bonds Sinking Fund and Series 1997 B Bonds Reserve Account (if equal to or at least the Series 1997 B Bonds Reserve Requirement) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 1997 B Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 1997 B Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1997 B Bonds Reserve Account which result in a reduction in the balance of the Series 1997 B Bonds Reserve Account to below the Series 1997 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full to the Series 1986 B Bonds Sinking Fund, the Series 1996 A Bonds Sinking Fund, the Series 1997 A Bonds Sinking Fund and the Series 1997 B Bonds Sinking Fund.

As and when additional Bonds ranking on a parity with the Series 1997 B Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in a amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1997 B Bonds Sinking Fund, or into the Series 1997 B Reserve Account therein, when the aggregate amount of funds are at least equal to the aggregate principal amount of the Series 1997 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

Principal, interest and reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds, the Series 1997 A Bonds and the Series 1997 B Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account shall be made on the first day of each month, except that when the first day of any month shall be a Saturday, 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 Bond Legislation.

Moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1997 B Bonds Sinking Fund, including the Series 1997 B Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1997 B Bonds under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds and accounts, 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 such funds and accounts during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System, including debt service on the Notes.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due.

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

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

F. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Series 1997 B Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1997 B Bonds, there shall first be deposited with the Commission in the Series 1997 B Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1997 B Bonds for the period commencing on the date of issuance of the Series 1997 B Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1997 B Bonds, there shall be deposited with the Commission in the Series 1997 B Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1997 B Bonds Reserve Account.

C. Next, from the proceeds of the Series 1997 B Bonds, there shall first be credited to the Series 1997 B Bonds Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, together with interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer, including, without limitation, the Notes.

D. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1997 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 1997 B Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02.

E. After completion of construction of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 1997 B Bonds shall be used as directed in writing by the Authority and the Council.

F. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Series 1997 B Bonds Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Series 1997 B Bonds Construction Trust Fund set forth in the Bond Legislation. Moneys in the Series 1997 B Bonds 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 Series 1997 B Bonds.

Section 6.02. Disbursements From the Series 1997 B Bonds Construction Trust Fund. The Issuer shall each month provide the Council and the Authority with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments for costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 1997 B Bonds Construction Trust Fund (except for the costs of issuance of the Series 1997 B Bonds which shall be paid upon request of the Issuer) shall be made only after submission to Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

1. That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;
2. 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;
3. That each of such costs has been otherwise properly incurred; and
4. That payment for each of the items proposed is then due and owing.

All payments made from the Series 1997 B Bonds 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 Series 1997 B Bonds Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Series 1997 B Bonds 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, the Depository Bank shall transfer any moneys remaining in the Series 1997 B Bonds Construction Trust Fund as directed in writing by the Authority and the Council.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 1997 B Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1997 B Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Series 1997 B Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Series 1997 B Bonds not to be Indebtedness of the Issuer. The Series 1997 B Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any of the Series 1997 B 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, if any, thereon.

Section 7.03. Series 1997 B Bonds Secured by Pledge of Net Revenues; Lien Positions With Respect to Prior Bonds and Series 1997 A Bonds. The payment of the debt service of the Series 1997 B Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Holders of the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 A Bonds. Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation, the Prior Resolutions and the Series 1997 A Resolution are hereby irrevocably pledged, in the manner provided herein, to such payments as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Recommended Decision of the Public Service Commission of West Virginia entered December 19, 1995, which Recommended Decision became the Final Order of the Public Service Commission of West Virginia on January 8, 1996, in Case No. 95-0594-PSD-42A, and such rates are hereby ratified and continued.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 1997 B Bonds are Outstanding

and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Prior Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds and Prior Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds pro rata, with respect to the principal amount of each of the Bonds and Prior Bonds then Outstanding, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds and Prior Bonds in such manner. Any balance remaining after the payment of all the Bonds and Prior Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$50,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$50,000 but not in excess of \$200,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property shall be deposited in the Renewal and Replacement Fund. Such payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$200,000 and insufficient to pay all Bonds and Prior Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds and Prior Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds and Prior Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1997 B Bonds. All obligations issued by the Issuer after the issuance of the Series 1997 B Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1997 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein 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 Series 1997 B Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 1997 B Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as any of the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the respective Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1997 B Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1997 B Bonds, and must have the prior written consent of the Authority and the Council.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest

aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (1) The Prior Bonds and the Series 1997 B Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution or the Series 1997 A Bonds Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the 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.

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

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 in a Supplemental Resolution.

Parity Bonds shall not be deemed to include Bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1997 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank

prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1997 B Bonds.

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

Section 7.08. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority, 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 and the Council 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, or its agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

The Issuer shall file with the Authority and the Council, 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 Bond Legislation with respect to said Bonds and the status of all said funds and accounts.

C. The amount of any Prior Bonds and Bonds or other obligations outstanding.

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

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

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% (125% so long as any of the Series 1996 A Bonds remain Outstanding) of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 B Bonds, including the Prior Bonds and the Series 1997 A Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit in the Series 1997 B Bonds Reserve Account and reserve accounts for obligations prior to or on a parity with the Series

1997 B Bonds, including the Prior Bonds and the Series 1997 A Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 B Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 B Bonds, including the Prior Bonds and the Series 1997 A Bonds (but shall remain at 125% so long as any of the Series 1996 A Bonds remain Outstanding). In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 7.04.

Section 7.10. Operating Budget; Audit and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof. The Issuer, by the unanimous consent and approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject 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 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

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

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate from the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved

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

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

The Issuer agrees that qualified operating personnel properly certified by the State will be employed to operate the System so long as the Bonds are Outstanding.

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

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, 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 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. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement

by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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

Section 7.15. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the Council, so long as the Authority is the Owner of the Bonds. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and Council and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

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

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

welfare of the inhabitants and residents of, and the economy of, the Issuer and 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 Division 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 Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

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

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1997 B Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1997 B Bonds and shall be for the equal benefit of all Holders of the Series 1997 B Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds and the Series 1997 A Bonds.

Section 7.19. Compliance With Loan Agreement and Law. The Issuer agrees to comply with all terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with all copies submitted to the Authority.

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

Section 7.20. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, 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 (or more often if reasonably requested by the Issuer), a summary of such funds, accounts, and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding.

Section 8.02. Information With Respect to Gross Proceeds. The Issuer shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" (as that term is defined in the Code) of the Series 1997 B Bonds from time to time as the Authority may request.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1997 B Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 1997 B Bonds; or

B. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1997 B Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 1997 B Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

D. If default occurs with respect to the Prior Bonds, the Prior Resolutions, the Series 1997 A Bonds, or the Series 1997 A Bonds Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 1997 B Bonds shall be on a parity with the Holders of the Prior Bonds and the Series 1997 A Bonds.

Section 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the

acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder 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 Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds, and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1997 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1997 B Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1997 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1997 B 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 Series 1997 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1997 B 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 Series 1997 B 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 Series 1997 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 1997 B Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1997 B Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 1997 B Bonds shall be made without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Series 1997 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Series 1997 B Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 1997 B Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolutions (so long as the Prior Bonds are Outstanding) or the Series 1997 A Bonds Resolution, the more restrictive provision shall control.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the

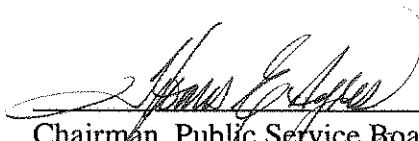
Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

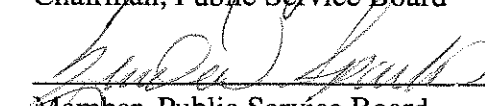
- A. The respective maximum amounts of the Series 1997 B Bonds to be issued.
- B. The respective maximum interest rates and terms of the Series 1997 B Bonds originally authorized hereby.
- C. The public service properties to be acquired or constructed and the cost of the same.
- D. The maximum anticipated rates which will be charged by the Issuer.
- E. The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

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

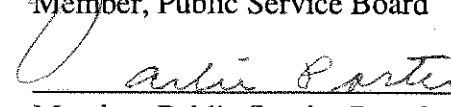
Adopted this 5th day of June, 1997.



Chairman, Public Service Board



Member, Public Service Board



Member, Public Service Board

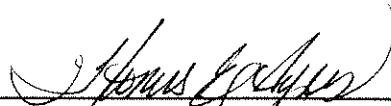
Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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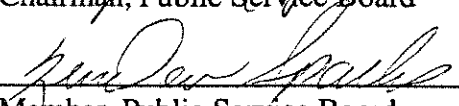
- A. The respective maximum amounts of the Series 1997 B Bonds to be issued.
- B. The respective maximum interest rates and terms of the Series 1997 B Bonds originally authorized hereby.
- C. The public service properties to be acquired or constructed and the cost of the same.
- D. The maximum anticipated rates which will be charged by the Issuer.
- E. The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

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

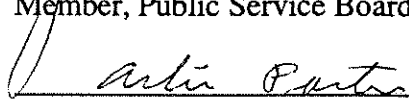
Adopted this 5th day of June, 1997.



Chairman, Public Service Board



Member, Public Service Board



Member, Public Service Board

Exhibit A

DESCRIPTION OF PROJECT

The acquisition and construction of certain additions, betterments and improvements to the Issuer's existing public sewerage facilities, in Raleigh County, West Virginia, consisting of approximately 36,000 linear feet of 8-inch and 6-inch gravity flow sewers, 2 main pumping stations, 7,700 linear feet of 4-inch and 2-inch force mains, approximately 100 manholes and other incidental work and appurtenant facilities in or near the community of Midway, Raleigh County, West Virginia.

Exhibit B

LOAN AGREEMENT

[See Transcript Document No. 6]

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1996.

Dated: June 5, 1997

[SEAL]



Secretary, Public Service District

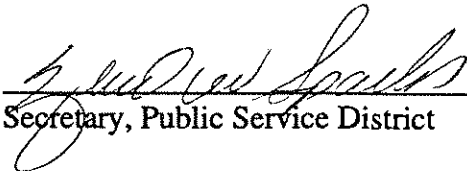
CHS/97677

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1996.

Dated: June 5, 1997

[SEAL]


Secretary, Public Service District

CHS/97677

**CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 B
(WEST VIRGINIA INFRASTRUCTURE FUND)**

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, INTEREST RATE, DATE, MATURITY, REDEMPTION PROVISIONS, PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND) OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT; AUTHORIZING, RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BOND REGISTRAR, DEPOSITORY BANK AND PAYING AGENT; PROVIDING FOR LINE OF CREDIT AND CREDIT LINE NOTE; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Crab Orchard-MacArthur Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution, effective June 5, 1997, (the "Bond Resolution") entitled:

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT OF NOT MORE THAN ONE MILLION SEVEN HUNDRED SEVENTY-FOUR THOUSAND THREE HUNDRED DOLLARS (\$1,774,300.00) IN AGGREGATE PRINCIPAL AMOUNT OF CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING ON BEHALF OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING NOT MORE THAN \$500,000 IN A LINE OF CREDIT EVIDENCED BY NOTES; AUTHORIZING THE SALE AND

PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND
ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund) of the Issuer (the "Series 1997 B Bonds"), in an aggregate principal amount not to exceed \$1,774,300, and has authorized the execution and delivery of a loan agreement relating to such Bonds dated June 5, 1997 (sometimes referred to herein as the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and exact principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provisions, sale price and other terms of the Series 1997 B Bonds should be established by a supplemental resolution pertaining to the Series 1997 B Bonds; and that other matters relating to the Series 1997 B Bonds be herein provided for;

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

WHEREAS, the Series 1997 B Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be ratified, approved and entered into by the Issuer, that the exact principal amount, the price, the maturity date, the redemption provisions, the interest rate and the interest and principal payment dates of the Series 1997 B Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 1997 B Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund) of the Issuer, originally represented by a single bond, numbered BR-1, in the principal amount of \$1,774,300. The Series 1997 B Bonds shall be dated the date of delivery thereof, shall finally mature on June 1, 2037, and shall bear no interest. The principal of the Series 1997 B Bonds shall be payable in quarterly installments of principal on March 1, June 1, September 1 and December 1 of each year commencing December 1, 1998 and ending June 1, 2037, and in the amounts set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made part of the Series 1997 B Bonds. The Series 1997 B Bonds shall be subject to redemption upon the consent of the Authority and the

Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 1997 B Bonds.

Section 2. All other provisions relating to the Series 1997 B Bonds and the text of the Series 1997 B Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, ratified, approved and directed. The price of the Series 1997 B Bonds shall be 100% of par value, there being no interest accrued thereon, provided that, the proceeds of the Series 1997 B Bonds shall be advanced from time to time as requisitioned by the Issuer, and at closing there shall be requisitioned and advanced a portion of the proceeds in the amount of \$175,800, being more than a de minimis amount. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Authority.

Section 4. The Issuer does hereby appoint and designate United National Bank, Charleston, West Virginia, as Registrar for the Series 1997 B Bonds.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1997 B Bonds.

Section 6. The Issuer does hereby appoint and designate United National Bank, Beckley, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. The Issuer does hereby appoint and designate United National Bank, Beckley, West Virginia, as Interim Financing Bank under the Bond Resolution.

Section 8. The Series 1997 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1997 B Bonds Sinking Fund as capitalized interest.

Section 9. The Series 1997 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1997 B Bonds Reserve Account.

Section 10. The remaining proceeds of the Series 1997 B Bonds shall be deposited in the Series 1997 B Bonds Construction Trust Fund, as received from time to time for payment of costs of the Project, including repayment of any temporary bank loans or Authority advances made or incurred with respect to the Project and payment of cost of issuance of the Series 1997 B Bonds.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 1997 B Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 1997 B Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about June 5, 1997.

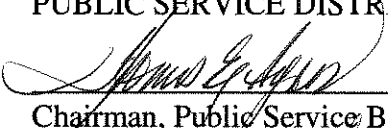
Section 12. The acquisition and construction of the Project and the permanent financing of the Costs thereof with the proceeds of the Series 1997 B Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

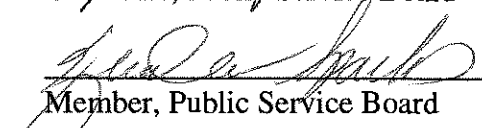
Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank in time deposits of the Depository Bank meeting the requirements set forth under the definition of "Qualified Investments" in the Bond Resolution and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits, until further directed by the Issuer. Monies in the Series 1997 B Bonds Sinking Fund, including the Series 1997 B Bonds Reserve Account therein, shall be invested by the Municipal Bond Commission in the West Virginia Restricted Consolidated Fund.

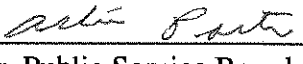
Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 5th day of June, 1997.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT


Chairman, Public Service Board


Member, Public Service Board


Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1997

Dated: June 5, 1997.

[SEAL]


Secretary, Public Service Board

CHS/96539

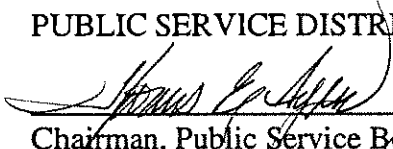
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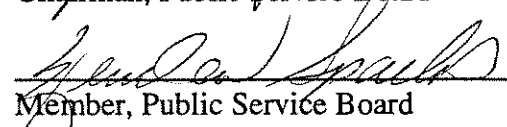
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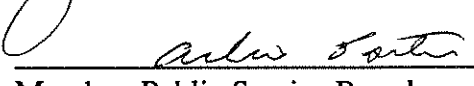
Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 5th day of June, 1997.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT


Chairman, Public Service Board


Member, Public Service Board

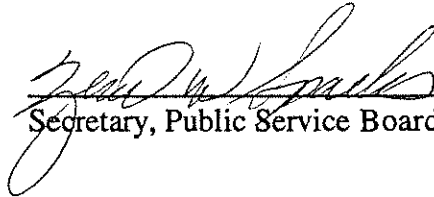

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT on the 5th day of June, 1997

Dated: June 5, 1997.

[SEAL]


Secretary, Public Service Board

CHS/96539

LOAN AGREEMENT

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

CRAB ORCHARD - MACARTHUR PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or

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

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

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 15th of each month to the Authority and Council.

counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

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

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the

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

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the gross or net revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

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

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

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

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

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

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

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

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

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

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

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the State's general obligation bonds unless otherwise agreed to by the Council.

ARTICLE V

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

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

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

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 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 Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency,

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

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.

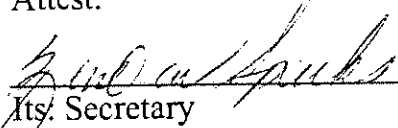
CRAB ORCHARD - MACARTHUR
PUBLIC SERVICE DISTRICT

(SEAL)

By: 
Its: Chairman

Attest:

Date: June 5, 1997


Its: Secretary

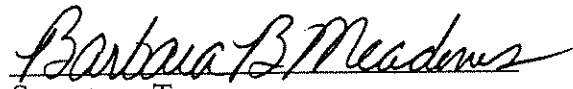
WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: 
Director

Attest:

Date: June 5, 1997


Secretary-Treasurer

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

By: _____

West Virginia License No. _____

[SEAL]

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

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

SCHEDULE Y

Crab Orchard - MacArthur Public Service District, West Virginia
\$1,774,300 Infrastructure Fund Loan
40 Years, 0% Interest

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	7,647.80	-	7,647.80
3/01/1999	11,471.77	-	11,471.77
6/01/1999	11,471.77	-	11,471.77
9/01/1999	11,471.77	-	11,471.77
12/01/1999	11,471.77	-	11,471.77
3/01/2000	11,471.77	-	11,471.77
6/01/2000	11,471.77	-	11,471.77
9/01/2000	11,471.77	-	11,471.77
12/01/2000	11,471.77	-	11,471.77
3/01/2001	11,471.77	-	11,471.77
6/01/2001	11,471.77	-	11,471.77
9/01/2001	11,471.77	-	11,471.77
12/01/2001	11,471.77	-	11,471.77
3/01/2002	11,471.77	-	11,471.77
6/01/2002	11,471.77	-	11,471.77
9/01/2002	11,471.77	-	11,471.77
12/01/2002	11,471.77	-	11,471.77
3/01/2003	11,471.77	-	11,471.77
6/01/2003	11,471.77	-	11,471.77
9/01/2003	11,471.77	-	11,471.77
12/01/2003	11,471.77	-	11,471.77
3/01/2004	11,471.77	-	11,471.77
6/01/2004	11,471.77	-	11,471.77
9/01/2004	11,471.77	-	11,471.77
12/01/2004	11,471.77	-	11,471.77
3/01/2005	11,471.77	-	11,471.77
6/01/2005	11,471.77	-	11,471.77
9/01/2005	11,471.77	-	11,471.77
12/01/2005	11,471.77	-	11,471.77
3/01/2006	11,471.77	-	11,471.77
6/01/2006	11,471.77	-	11,471.77
9/01/2006	11,471.77	-	11,471.77
12/01/2006	11,471.77	-	11,471.77
3/01/2007	11,471.77	-	11,471.77
6/01/2007	11,471.77	-	11,471.77
9/01/2007	11,471.77	-	11,471.77
12/01/2007	11,471.77	-	11,471.77
3/01/2008	11,471.77	-	11,471.77
6/01/2008	11,471.77	-	11,471.77
9/01/2008	11,471.77	-	11,471.77
12/01/2008	11,471.77	-	11,471.77

Ferris, Baker Watts, Inc.
Public Finance Department

FILE = CRABORCH-Inf \$1774300- SINGLE PURPOSE
5/30/1997 4:08 PM

Crab Orchard - MacArthur Public Service District, West Virginia
 \$1,774,300 Infrastructure Fund Loan
 40 Years, 0% Interest

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2019	11,471.77	-	11,471.77
9/01/2019	11,471.77	-	11,471.77
12/01/2019	11,471.77	-	11,471.77
3/01/2020	11,471.77	-	11,471.77
6/01/2020	11,471.77	-	11,471.77
9/01/2020	11,471.77	-	11,471.77
12/01/2020	11,471.77	-	11,471.77
3/01/2021	11,471.77	-	11,471.77
6/01/2021	11,471.77	-	11,471.77
9/01/2021	11,471.77	-	11,471.77
12/01/2021	11,471.77	-	11,471.77
3/01/2022	11,471.77	-	11,471.77
6/01/2022	11,471.77	-	11,471.77
9/01/2022	11,471.77	-	11,471.77
12/01/2022	11,471.77	-	11,471.77
3/01/2023	11,471.77	-	11,471.77
6/01/2023	11,471.77	-	11,471.77
9/01/2023	11,471.77	-	11,471.77
12/01/2023	11,471.77	-	11,471.77
3/01/2024	11,471.77	-	11,471.77
6/01/2024	11,471.77	-	11,471.77
9/01/2024	11,471.77	-	11,471.77
12/01/2024	11,471.77	-	11,471.77
3/01/2025	11,471.77	-	11,471.77
6/01/2025	11,471.77	-	11,471.77
9/01/2025	11,471.77	-	11,471.77
12/01/2025	11,471.77	-	11,471.77
3/01/2026	11,471.77	-	11,471.77
6/01/2026	11,471.77	-	11,471.77
9/01/2026	11,471.77	-	11,471.77
12/01/2026	11,471.77	-	11,471.77
3/01/2027	11,471.77	-	11,471.77
6/01/2027	11,471.77	-	11,471.77
9/01/2027	11,471.77	-	11,471.77
12/01/2027	11,471.77	-	11,471.77
3/01/2028	11,471.76	-	11,471.76
6/01/2028	11,471.76	-	11,471.76
9/01/2028	11,471.76	-	11,471.76
12/01/2028	11,471.76	-	11,471.76
3/01/2029	11,471.76	-	11,471.76
6/01/2029	11,471.76	-	11,471.76

Crab Orchard - MacArthur Public Service District, West Virginia
\$1,774,300 Infrastructure Fund Loan
40 Years, 0% Interest

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars.....	\$34,524.60
Average Life.....	19.458 Years
Average Coupon.....	.
Net Interest Cost (NIC).....	-
True Interest Cost (TIC).....	0.0000000%
Bond Yield for Arbitrage Purposes.....	0.0000000%
All Inclusive Cost (AIC).....	0.0000000%
IRS FORM 8038	
Net Interest Cost.....	-
Weighted Average Maturity.....	19.458 Years

Ferris, Baker Watts, Inc. FILE = CRABORCH-Inf \$1774300- SINGLE PURPOSE
Public Finance Department 5/30/1997 4:08 PM

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND,
SERIES 1997 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1

\$250,000.00

KNOW ALL MEN BY THESE PRESENTS: That CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year commencing on March 1, 1999, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, without interest.

The SRF Administration Fee (as defined in the hereinafter described Bond Legislation) shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1999, as set forth on Exhibit B attached hereto. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may only be redeemed prior to its stated date of maturity in whole or in part upon the terms and conditions prescribed by, and otherwise in compliance with, the Water Pollution Control Revolving Fund Loan Agreement among the Issuer, the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP") and the Authority, dated April 18, 1997.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16,

Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on June 5, 1997 and a Supplemental Resolution duly adopted by the Issuer on June 5, 1997 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE SEWER REVENUE BONDS, SERIES 1986 B, OF THE ISSUER, ISSUED MAY 29, 1986, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$161,688 (THE "SERIES 1986 B BONDS"); THE SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1996 A, OF THE ISSUER, DATED JULY 15, 1996, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$4,925,000 (THE "SERIES 1996 A BONDS"); AND THE SEWERAGE SYSTEM REVENUE BOND, SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL PRINCIPAL AMOUNT OF \$1,774,300 (THE "SERIES 1997 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation), on a parity with the pledge of the Net Revenues in favor of the holders of the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 B Bonds, to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1997 A Bonds 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 1997 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% (125% so long as any of the Series 1996 A Bonds remain Outstanding) 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 revenues prior to or on a parity with the Bonds,

including the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 B Bonds, provided however, that so long as there exists in the Series 1997 A Bonds 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 respective reserve accounts established for any other obligations Outstanding prior to or on a parity with the Bonds, including the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110% (but shall remain at 125% so long as any of the Series 1996 A Bonds remain Outstanding). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and 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 Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CRAB ORCHARD-MACARTHUR 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 June 5, 1997.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT

[SEAL]


Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 5, 1997.

UNITED NATIONAL BANK,
as Registrar

By

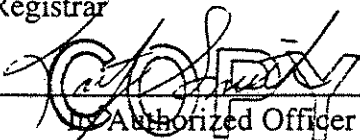

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

<u>Amount</u>	<u>Date</u>	<u>Amount</u>	<u>Date</u>
(1) \$15,000.00	June 5, 1997	(7) \$	
(2) \$		(8) \$	
(3) \$		(9) \$	
(4) \$		(10) \$	
(5) \$		(11) \$	
(6) \$		(12) \$	

Total \$ _____

COPY

EXHIBIT B

DEBT SERVICE SCHEDULE

COPY

Crab Orchard - MacArthur Public Service District
 \$250,000 Loan
 0% Interest, 1% Administrative Fee
 20 Years
 DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	3,125.00	-	3,125.00
6/01/1999	3,125.00	-	3,125.00
9/01/1999	3,125.00	-	3,125.00
12/01/1999	3,125.00	-	3,125.00
3/01/2000	3,125.00	-	3,125.00
6/01/2000	3,125.00	-	3,125.00
9/01/2000	3,125.00	-	3,125.00
12/01/2000	3,125.00	-	3,125.00
3/01/2001	3,125.00	-	3,125.00
6/01/2001	3,125.00	-	3,125.00
9/01/2001	3,125.00	-	3,125.00
12/01/2001	3,125.00	-	3,125.00
3/01/2002	3,125.00	-	3,125.00
6/01/2002	3,125.00	-	3,125.00
9/01/2002	3,125.00	-	3,125.00
12/01/2002	3,125.00	-	3,125.00
3/01/2003	3,125.00	-	3,125.00
6/01/2003	3,125.00	-	3,125.00
9/01/2003	3,125.00	-	3,125.00
12/01/2003	3,125.00	-	3,125.00
3/01/2004	3,125.00	-	3,125.00
6/01/2004	3,125.00	-	3,125.00
9/01/2004	3,125.00	-	3,125.00
12/01/2004	3,125.00	-	3,125.00
3/01/2005	3,125.00	-	3,125.00
6/01/2005	3,125.00	-	3,125.00
9/01/2005	3,125.00	-	3,125.00
12/01/2005	3,125.00	-	3,125.00
3/01/2006	3,125.00	-	3,125.00
6/01/2006	3,125.00	-	3,125.00
9/01/2006	3,125.00	-	3,125.00
12/01/2006	3,125.00	-	3,125.00
3/01/2007	3,125.00	-	3,125.00
6/01/2007	3,125.00	-	3,125.00
9/01/2007	3,125.00	-	3,125.00
12/01/2007	3,125.00	-	3,125.00
3/01/2008	3,125.00	-	3,125.00
6/01/2008	3,125.00	-	3,125.00
9/01/2008	3,125.00	-	3,125.00
12/01/2008	3,125.00	-	3,125.00
3/01/2009	3,125.00	-	3,125.00
6/01/2009	3,125.00	-	3,125.00
9/01/2009	3,125.00	-	3,125.00
12/01/2009	3,125.00	-	3,125.00
3/01/2010	3,125.00	-	3,125.00
6/01/2010	3,125.00	-	3,125.00

ASSIGNMENT

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

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

Dated: _____, 19____.

COPY _____

In the presence of:

CHS/98303

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND,
SERIES 1997 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-1

\$1,774,300.00

KNOW ALL MEN BY THESE PRESENTS: That CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE MILLION SEVEN HUNDRED SEVENTY-FOUR THOUSAND THREE HUNDRED DOLLARS (\$1,774,300.00), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year commencing on December 1, 1998, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, without interest, except that the final installment shall be paid at the end of forty years from the date of this Bond in the sum of the unpaid principal on the date thereof.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may only be redeemed prior to its stated date of maturity in whole or in part with the express written consent of the Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council, dated June 5, 1997.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16,

Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on June 5, 1997 and a Supplemental Resolution duly adopted by the Issuer on June 5, 1997 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE SEWER REVENUE BONDS, SERIES 1986 B, OF THE ISSUER, ISSUED MAY 29, 1986, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$161,688 (THE "SERIES 1986 B BONDS"); THE SEWERAGE SYSTEM REFUNDING REVENUE BONDS, SERIES 1996 A, OF THE ISSUER, DATED JULY 15, 1996, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$4,925,000 (THE "SERIES 1996 A BONDS"); AND THE SEWERAGE SYSTEM REVENUE BOND, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM), OF THE ISSUER, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL PRINCIPAL AMOUNT OF \$250,000 (THE "SERIES 1997 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) on a parity with the pledge of the Net Revenues in favor of the holders of the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 A Bonds to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1997 B Bonds 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 1997 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% (125% so long as any of the Series 1996 A Bonds remain Outstanding) 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 revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 A Bonds,

provided however, that so long as there exists in the Series 1997 B Bonds 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 respective reserve accounts established for any other obligations Outstanding prior to or on a parity with the Bonds, including the Series 1986 B Bonds, the Series 1996 A Bonds and the Series 1997 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110% (but shall remain at 125% so long as any of the Series 1996 A Bonds remain Outstanding). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

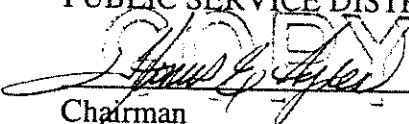
IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this 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 Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, CRAB ORCHARD-MACARTHUR 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 June 5, 1997.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT

[SEAL]


Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 5, 1997.

UNITED NATIONAL BANK,
as Registrar

By

[Signature]
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	<u>Amount</u>	<u>Date</u>		<u>Amount</u>	<u>Date</u>
(1)	\$175,800	June 5, 1997	(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

Total \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

COPY

EXHIBIT B

Crab Orchard - MacArthur Public Service District, West Virginia
 \$1,774,300 Infrastructure Fund Loan
 40 Years, 0% Interest

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	7,647.80	.	7,647.80
3/01/1999	11,471.77	.	11,471.77
6/01/1999	11,471.77	.	11,471.77
9/01/1999	11,471.77	.	11,471.77
12/01/1999	11,471.77	.	11,471.77
3/01/2000	11,471.77	.	11,471.77
6/01/2000	11,471.77	.	11,471.77
9/01/2000	11,471.77	.	11,471.77
12/01/2000	11,471.77	.	11,471.77
3/01/2001	11,471.77	.	11,471.77
6/01/2001	11,471.77	.	11,471.77
9/01/2001	11,471.77	.	11,471.77
12/01/2001	11,471.77	.	11,471.77
3/01/2002	11,471.77	.	11,471.77
6/01/2002	11,471.77	.	11,471.77
9/01/2002	11,471.77	.	11,471.77
12/01/2002	11,471.77	.	11,471.77
3/01/2003	11,471.77	.	11,471.77
6/01/2003	11,471.77	.	11,471.77
9/01/2003	11,471.77	.	11,471.77
12/01/2003	11,471.77	.	11,471.77
3/01/2004	11,471.77	.	11,471.77
6/01/2004	11,471.77	.	11,471.77
9/01/2004	11,471.77	.	11,471.77
12/01/2004	11,471.77	.	11,471.77
3/01/2005	11,471.77	.	11,471.77
6/01/2005	11,471.77	.	11,471.77
9/01/2005	11,471.77	.	11,471.77
12/01/2005	11,471.77	.	11,471.77
3/01/2006	11,471.77	.	11,471.77
6/01/2006	11,471.77	.	11,471.77
9/01/2006	11,471.77	.	11,471.77
12/01/2006	11,471.77	.	11,471.77
3/01/2007	11,471.77	.	11,471.77
6/01/2007	11,471.77	.	11,471.77
9/01/2007	11,471.77	.	11,471.77
12/01/2007	11,471.77	.	11,471.77
3/01/2008	11,471.77	.	11,471.77
6/01/2008	11,471.77	.	11,471.77
9/01/2008	11,471.77	.	11,471.77
12/01/2008	11,471.77	.	11,471.77

Ferris, Baker Watts, Inc.
 Public Finance Department

FILE = CRABORCH-Inf \$1774300- SINGLE PURPOSE
 5/30/1997 4:08 PM

Crab Orchard - MacArthur Public Service District, West Virginia
\$1,774,300 Infrastructure Fund Loan
40 Years, 0% Interest

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2009	11,471.77	-	11,471.77
6/01/2009	11,471.77	-	11,471.77
9/01/2009	11,471.77	-	11,471.77
12/01/2009	11,471.77	-	11,471.77
3/01/2010	11,471.77	-	11,471.77
6/01/2010	11,471.77	-	11,471.77
9/01/2010	11,471.77	-	11,471.77
12/01/2010	11,471.77	-	11,471.77
3/01/2011	11,471.77	-	11,471.77
6/01/2011	11,471.77	-	11,471.77
9/01/2011	11,471.77	-	11,471.77
12/01/2011	11,471.77	-	11,471.77
3/01/2012	11,471.77	-	11,471.77
6/01/2012	11,471.77	-	11,471.77
9/01/2012	11,471.77	-	11,471.77
12/01/2012	11,471.77	-	11,471.77
3/01/2013	11,471.77	-	11,471.77
6/01/2013	11,471.77	-	11,471.77
9/01/2013	11,471.77	-	11,471.77
12/01/2013	11,471.77	-	11,471.77
3/01/2014	11,471.77	-	11,471.77
6/01/2014	11,471.77	-	11,471.77
9/01/2014	11,471.77	-	11,471.77
12/01/2014	11,471.77	-	11,471.77
3/01/2015	11,471.77	-	11,471.77
6/01/2015	11,471.77	-	11,471.77
9/01/2015	11,471.77	-	11,471.77
12/01/2015	11,471.77	-	11,471.77
3/01/2016	11,471.77	-	11,471.77
6/01/2016	11,471.77	-	11,471.77
9/01/2016	11,471.77	-	11,471.77
12/01/2016	11,471.77	-	11,471.77
3/01/2017	11,471.77	-	11,471.77
6/01/2017	11,471.77	-	11,471.77
9/01/2017	11,471.77	-	11,471.77
12/01/2017	11,471.77	-	11,471.77
3/01/2018	11,471.77	-	11,471.77
6/01/2018	11,471.77	-	11,471.77
9/01/2018	11,471.77	-	11,471.77
12/01/2018	11,471.77	-	11,471.77
3/01/2019	11,471.77	-	11,471.77

Crab Orchard - MacArthur Public Service District, West Virginia
\$1,774,300 Infrastructure Fund Loan
40 Years, 0% Interest

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2019	11,471.77	-	11,471.77
9/01/2019	11,471.77	-	11,471.77
12/01/2019	11,471.77	-	11,471.77
3/01/2020	11,471.77	-	11,471.77
6/01/2020	11,471.77	-	11,471.77
9/01/2020	11,471.77	-	11,471.77
12/01/2020	11,471.77	-	11,471.77
3/01/2021	11,471.77	-	11,471.77
6/01/2021	11,471.77	-	11,471.77
9/01/2021	11,471.77	-	11,471.77
12/01/2021	11,471.77	-	11,471.77
3/01/2022	11,471.77	-	11,471.77
6/01/2022	11,471.77	-	11,471.77
9/01/2022	11,471.77	-	11,471.77
12/01/2022	11,471.77	-	11,471.77
3/01/2023	11,471.77	-	11,471.77
6/01/2023	11,471.77	-	11,471.77
9/01/2023	11,471.77	-	11,471.77
12/01/2023	11,471.77	-	11,471.77
3/01/2024	11,471.77	-	11,471.77
6/01/2024	11,471.77	-	11,471.77
9/01/2024	11,471.77	-	11,471.77
12/01/2024	11,471.77	-	11,471.77
3/01/2025	11,471.77	-	11,471.77
6/01/2025	11,471.77	-	11,471.77
9/01/2025	11,471.77	-	11,471.77
12/01/2025	11,471.77	-	11,471.77
3/01/2026	11,471.77	-	11,471.77
6/01/2026	11,471.77	-	11,471.77
9/01/2026	11,471.77	-	11,471.77
12/01/2026	11,471.77	-	11,471.77
3/01/2027	11,471.77	-	11,471.77
6/01/2027	11,471.77	-	11,471.77
9/01/2027	11,471.77	-	11,471.77
12/01/2027	11,471.77	-	11,471.77
3/01/2028	11,471.76	-	11,471.76
6/01/2028	11,471.76	-	11,471.76
9/01/2028	11,471.76	-	11,471.76
12/01/2028	11,471.76	-	11,471.76
3/01/2029	11,471.76	-	11,471.76
6/01/2029	11,471.76	-	11,471.76

Crab Orchard - MacArthur Public Service District, West Virginia
 \$1,774,300 Infrastructure Fund Loan
 40 Years, 0% Interest

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2029	11,471.76	-	11,471.76
12/01/2029	11,471.76	-	11,471.76
3/01/2030	11,471.76	-	11,471.76
6/01/2030	11,471.76	-	11,471.76
9/01/2030	11,471.76	-	11,471.76
12/01/2030	11,471.76	-	11,471.76
3/01/2031	11,471.76	-	11,471.76
6/01/2031	11,471.76	-	11,471.76
9/01/2031	11,471.76	-	11,471.76
12/01/2031	11,471.76	-	11,471.76
3/01/2032	11,471.76	-	11,471.76
6/01/2032	11,471.76	-	11,471.76
9/01/2032	11,471.76	-	11,471.76
12/01/2032	11,471.76	-	11,471.76
3/01/2033	11,471.76	-	11,471.76
6/01/2033	11,471.76	-	11,471.76
9/01/2033	11,471.76	-	11,471.76
12/01/2033	11,471.76	-	11,471.76
3/01/2034	11,471.76	-	11,471.76
6/01/2034	11,471.76	-	11,471.76
9/01/2034	11,471.76	-	11,471.76
12/01/2034	11,471.76	-	11,471.76
3/01/2035	11,471.76	-	11,471.76
6/01/2035	11,471.76	-	11,471.76
9/01/2035	11,471.76	-	11,471.76
12/01/2035	11,471.76	-	11,471.76
3/01/2036	11,471.76	-	11,471.76
6/01/2036	11,471.76	-	11,471.76
9/01/2036	11,471.76	-	11,471.76
12/01/2036	11,471.76	-	11,471.76
3/01/2037	11,471.76	-	11,471.76
6/01/2037	11,471.76	-	11,471.76
TOTAL	1,774,300.00	-	1,774,300.00

Ferris, Baker Watts, Inc.
 Public Finance Department

FILE = CRABORCH-Inf \$1774300- SINGLE PURPOSE
 5/30/1997 4:08 PM

ASSIGNMENT

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

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

Dated: _____, 19____.

COPY _____

In the presence of:

CHS/98298

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT

**SEWERAGE SYSTEM REVENUE BONDS
SERIES 1997 A (WEST VIRGINIA SRF PROGRAM) AND
SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND)**

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Crab Orchard-MacArthur Public Service District, in Raleigh County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the \$250,000 Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) (the "Series 1997 A Bonds") and \$1,774,300 Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund), all dated the date hereof (collectively, the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the respective Bond Resolutions of the Issuer adopted June 5, 1997, and the Supplemental Resolutions adopted June 5, 1997 (collectively, the "Local Act").
2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition or construction of the Project, the operation of the System, the receipt of the

Net Revenues or the proceeds of the Grants, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition and construction of the Project, the operation of the System, or such pledge or application of moneys and security or the collection of the Net Revenues or pledge thereof.

3. **GOVERNMENTAL APPROVALS, BIDDING AND AWARD OF CONTRACT:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project were solicited in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia of 1931. Ground Breakers, Inc. has submitted the lowest bid for the construction contract and such bid remains in full force and effect. The Issuer contemplates entering into a construction contract with such contractor for the Project on or before June 5, 1997.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval and execution and delivery by the Issuer of the respective Loan Agreements, and the Issuer has met all conditions prescribed in the respective Loan Agreements. The Issuer has or can provide the financial, institutional, legal, and managerial capabilities necessary to complete the Project. There are no outstanding debt obligations of the Issuer which are secured by revenues and/or assets of the System other than the Bonds, the Series 1986 B Bonds and the Series 1996 A Bonds. The Bonds are issued on a parity, with respect to liens, pledge and source of and security for payment, with the Series 1986 B Bonds and Series 1996 A Bonds. The Issuer has obtained the consent of the Holder of the Series 1986 B Bonds to the aforesaid relative priorities among the Bonds, the Series 1986 B Bonds and the Series 1996 A Bonds. The Issuer has met the requirements of the Series 1996 A Bond Resolution for the Bonds to be issued on a parity with respect to the Series 1996 A Bonds.

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

Certified copies of Orders of the County Commission of Raleigh County proposing and creating the Issuer.

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

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

Series 1997 A Bonds Resolution.

Series 1997 B Bonds Resolution.

Series 1997 A Bonds Supplemental Resolution.

Series 1997 B Bonds Supplemental Resolution.

Rules of Procedure of Public Service Board.

Affidavits of Publication on Borrowing.

Minutes of 1997 Organizational Meeting of Public Service Board.

Minutes on Adoption of Bond Resolutions and Supplemental Resolutions.

Series 1997 A Bonds Loan Agreement.

Series 1997 B Bonds Loan Agreement.

Credit Agreement.

Infrastructure Council Approval.

NPDES Permit.

Evidence of Small Cities Block Grant.

Evidence of Raleigh County Commission Grant

Recommended Decision of Administrative Law Judge of the Public Service Commission of West Virginia (the "PSC") entered April 18, 1997, which became the Final Order of the PSC on May 1, 1997.

Consent of Series 1986 B Bondholder to Issuance of Parity Bonds.

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

<u>Name</u>	<u>Date of Commencement of Term</u>	<u>Date of Termination of Term</u>
Thomas E. Ayres	January 1, 1993	December 31, 1998
Zeno Sparks	January 1, 1995	December 31, 2000
Arlie J. Porter	January 1, 1997	December 31, 2002

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 1997 are as follows:

Chairman	-	Thomas E. Ayres
Secretary	-	Zeno Sparks
Treasurer	-	Zeno Sparks

The duly appointed and acting counsel to Issuer is Rist, Higgins & Associates, P.L.L.C., Beckley, West Virginia.

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

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

9. CONTRACTORS' INSURANCE, ETC.: All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Local Act. All insurance for the System required by the Local Act is in full force and effect. The System is not presently covered by a policy of flood or business interruption insurance, but will be if such coverage is available at reasonable cost.

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

11. RATES, PUBLIC SERVICE COMMISSION ORDERS: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia dated December 19, 1995, which Recommended Decision became the Final Order of the Public Service Commission of West Virginia on January 8, 1996, in Case No. 95-0594-PSD-42A, which Recommended Decision approves the rates and charges for the services of the System and the Issuer has adopted a resolution prescribing such rates and charges. The time for appeal of such Recommended Decision has expired without any appeal being filed. The Issuer has received the Recommended Decision of Susan A. Murensky, Administrative Law Judge, entered April 11, 1997, which became the Final Order of the Public Service Commission of West Virginia on May 1, 1997 (Case No. 96-0022-PSD-CN), which Recommended Decision, among other things, grants to the Issuer a certificate of public convenience and necessity for the Project and approves and consents to the issuance of the Bonds and the financing, including without limitation the interim financing, for the Project. The time for the appeal of such Recommended Decision has expired without any appeal being filed.

12. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, dated June 5, 1997 by his manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon such certificate representing said Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreements. Said official seal is also impressed above the signatures appearing on this certificate.

13. BOND PROCEEDS: On the date hereof the Issuer received from the Authority and the DEP the sum of \$15,000 being the first advance at 100% of par value of the principal amount of the Series 1997 A Bonds. On the date hereof the Issuer received from the Authority and the Council \$175,800, being the first advance at 100% of par value of the principal amount of the Series 1997 B Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as the acquisition and the construction of the Project progresses.

14. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING: The Issuer has published any required notice with respect to, among other things, the acquisition and construction of the Project, anticipated user rates and charges, issuance of the Bonds and filing of a formal application for a Certificate of Public Convenience and Necessity with the Public Service Commission of West Virginia, in accordance with Chapter 16, Article 13A, Section 25 of the Code of West Virginia of 1931, as amended.

15. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimens of the Bonds.

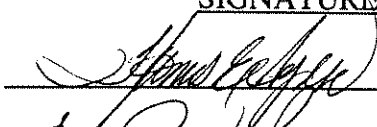
16. CONFLICT OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Local Act and/or the Project, including, without limitation, with respect to the Depository Bank or the Interim Financing Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

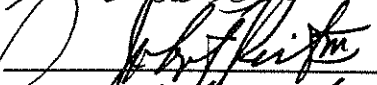
17. CLEAN WATER ACT: The Project as described in the Local Act complies with Sections 208 and 303(e) of the Clean Water Act.

18. GRANTS: As of the date hereof, the grant from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) in the amount of \$745,000 and the grant from the County Commission of Raleigh County in the amount of \$250,000 are committed and in full force and effect.

WITNESS our signatures and the official seal of CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT on this 5th day of June, 1997.

[CORPORATE SEAL]

SIGNATURE



To Best of Knowledge
& belief

OFFICIAL TITLE

Chairman

Secretary

Counsel to Issuer

CHS/97063

CERTIFICATE OF CONSULTING ENGINEER

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA SRF PROGRAM) AND SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND)

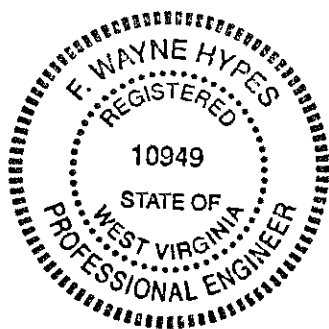
I, F. Wayne Hypes, Registered Professional Engineer, West Virginia License No. 10949, of Dunn Engineers, Inc., Consulting Engineers, having offices at Charleston, West Virginia, hereby certify that my firm is engineer for the acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities (the "Project") of Crab Orchard-MacArthur Public Service District (the "Issuer") to be constructed in Raleigh County, West Virginia, which construction, acquisition, engineering and other necessary related activities are being permanently financed in part by the above-captioned bonds (collectively the "Bonds") of the Issuer. It is anticipated that the Bonds will be purchased by the West Virginia Water Development Authority (the "Authority"). Capitalized words not defined herein shall have the meaning set forth in the respective Bond Resolutions passed by the Public Service Board of the Issuer on June 5, 1997, effective on June 5, 1997, the Loan Agreement for the Series 1997 A Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection ("DEP") dated April 18, 1997, and the Loan Agreement for the Series 1997 B Bonds by and between the Issuer and the Authority on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") dated June 5, 1997 (collectively, the "Loan Agreement").

1. The Bonds are being issued for the purpose of (i) paying a portion of the costs of acquisition and construction of the Project; and (ii) paying costs of issuance and related costs.

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 respective applications submitted to the Authority, the Council and DEP requesting the Authority to purchase the Bonds (collectively the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and its major structures have an estimated useful life of at least forty (40) years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and 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 Public Service Board of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the respective 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 the

grants irrevocably committed therefor and the funds committed therefor by the Issuer are sufficient to pay the costs of construction, acquisition, engineering and other necessary related activities 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, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature on this 5th day of June, 1997.



[SEAL]

CHS/97068

DUNN ENGINEERS, INC.

By *F. Wayne Hypes*
F. Wayne Hypes, P.E.
Its: Vice President

West Virginia License No. 10949

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: Crab Orchard-MacArthur P.S.D.

PROJECT DESCRIPTION: Midway Sewer Project

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

A. COST OF PROJECT

1.	Construction (Based on Actual Bids)	\$ 2,015,270
2.	Technical Services	\$ 316,485
3.	Legal and Fiscal	\$ 45,000
4.	Administrative	\$ 33,000
5.	Site and Other Lands	\$ 40,000
6.	Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: _____)	\$ _____
7.	Interim Financing Costs	\$ 27,500
8.	Contingency	\$ 537,045
9.	Total of Lines 1 through 8	\$ 3,014,300

B. SOURCES OF FUNDS

10.	Federal Grants ¹ (Specify Sources): _____	\$ _____
11.	State Grants ¹ (Specify Sources): CDBG _____	\$ 745,000
12.	Other Grants ² (Specify Sources): Raleigh County Commission _____	\$ 250,000
13.	Any Other Source ² (Specify): SRF Loan _____	\$ 250,000
14.	Infrastructure Council Grant	\$ _____
15.	Total of Lines 10 through 14	\$ 1,245,000
16.	Net Proceeds Required from Bond Issue (Line 9 less Line 15)	\$ 1,769,300

C. IF BOND ISSUE, COST OF FINANCING

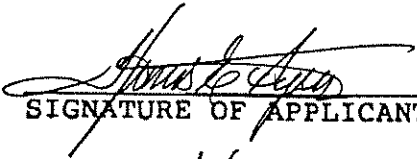
17.	Funded Reserve Account ³	\$ _____
18.	Other Costs ⁴ Bond Counsel	\$ 5,000
19.	Total Cost of Financing (Lines 17 and 18)	\$ 5,000
20.	Size of Bond Issue (Line 16 plus Line 19)	\$ 1,774,300

*Note: Any variation in contingency is due to split funding for bond counsel fees.

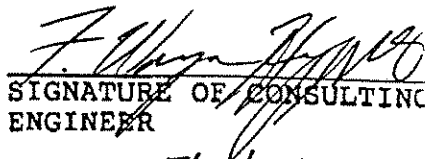
SCHEDULE A

1. Attach supporting documentation.
2. Include the proceeds of any parity or subordinate bond to be used for such purpose and attach supporting documentation.
3. Consult with bond counsel and the Authority before as a funded reserve.
4. For example, fees of accountants, bond counsel and local counsel for the Governmental Agency.

Additional or explanatory material may be provided on additional sheets attached to Schedule B.


SIGNATURE OF APPLICANT

DATE: 5/1/97


SIGNATURE OF CONSULTING
ENGINEER

DATE: 5/5/97

**CERTIFICATE DESIGNATING AUTHORIZED
SIGNATORIES FOR CONSULTING ENGINEER**

TO:

United National Bank
129 Main Street
Beckley, West Virginia 25801

RE: Crab Orchard-MacArthur Public Service District Sewerage System Revenue
Bonds, Series 1997 A (West Virginia SRF Program) and Sewerage System
Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

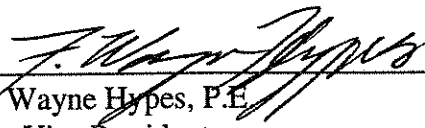
The following individual(s) is/are designated as Authorized Signatory for the purpose
of signing on the Requisition forms for the above-referenced Bonds:

F. Wayne Hypes, P.E.
Bob Bragg, P.E.

Witness my signature this 5th day of June, 1997.

DUNN ENGINEERS, INC.

By: _____


F. Wayne Hypes, P.E.
Its: Vice President

CHS/97077

THOMAS E. SMITH
Certified Public Accountant
111 Main Street
Beckley, West Virginia 25801

Phone: (304) 253-8366

Fax: (304) 253-8376

June 5, 1997

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS
SERIES 1997 A (WEST VIRGINIA SRF PROGRAM) AND
SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND)

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25065

Crab Orchard-MacArthur Public Service District
P.O. Drawer 278
Crab Orchard, West Virginia 25827

West Virginia Division of Environmental Protection
617 Broad Street
Charleston, West Virginia 25301

Bowles Rice McDavid Graff & Love, P.L.L.C.
600 Quarrier Street
Charleston, West Virginia 25301

West Virginia Infrastructure & Jobs Development
Council
1320 One Valley Square
Charleston, West Virginia 25301

Rist, Higgins, & Associates, P.L.L.C.
1800 Harper Road
Beckley, West Virginia 25801

Ladies and Gentleman:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia dated December 19, 1995, in Case No.95-0594-PSD-42A, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by Crab Orchard-MacArthur Public Service District (the "Issuer"), it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 125% of the maximum amount required in any year for debt service on the Issuer's Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) and Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Program) (collectively, the "Bonds"), to be issued to the West Virginia Water Development Authority and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Bonds, including the Issuer's Sewer Revenue Bonds, Series 1986 B and Sewerage System Refunding Revenue Bonds, Series 1996 A (Collectively, the "Prior Bonds"). It is on further opinion that the Net Revenues, as defined in the respective Bond Resolutions authorizing the issuance of the Bonds, actually derived from the system during twelve consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Bonds, are not less than 125% of the largest aggregate amount that will mature and become due in any succeeding year for the principal of and interest of the Prior Bonds and the Bonds. The Issuer has met the parity test requirements of the respective Bond Resolutions authorizing the issuance of the Prior Bonds. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this letter for events and circumstances occurring after the date of this letter. Your attention is directed to the Schedules and Joint Certificate of Accountant and Consulting Engineer attached hereto.

Very truly yours,



Michael R. Akers, C.P.A.
Senior Staff Accountant

SCHEDULE A

CRAB ORCHARD - MACARTHUR PUBLIC SERVICE DISTRICT
COMPUTATION OF DEBT SERVICE COVERAGE RATIOS

REVENUES AVAILABLE FOR DEBT SERVICE

As stated in monthly compilation reports for the twelve month
period ending March 31, 1997.

\$ 505,981

DEBT SERVICE REQUIREMENT (See Schedule B)

\$ 398,548

-DEBT SERVICE COVERAGE RATIO

1.27 X

SCHEDULE B

CRAB ORCHARD - MACARTHUR PUBLIC SERVICE DISTRICT

SUMMARY OF DEBT SERVICE REQUIREMENTS

EXISTING DEBT:

Series 1996 A Bonds (\$28,001.25 paid monthly to sinking fund)	336,015
Series 1986 B Bonds	4,146

ADDITIONAL PROJECTED DEBT:

\$1,774,300 Loan, 40 Year Amortization, 0 % Interest	45,887*
\$250,000 Loan, 20 Year Amortization, 0 % Interest	<u>12,500*</u>

TOTAL MAXIMUM ANNUAL DEBT SERVICE REQUIREMENT	<u>398,548</u>
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* Principal only, exclusive of reserve coverage and administrative fee.

WV MUNICIPAL BOND COMMISSION

Suite 300
812 Quarrier St
Charleston, WV 25301
PH (304) 558-3971
FAX (304) 558-1280

NEW ISSUE REPORT FORM

Date of Report: June 5, 1997

(See Reverse for Instructions)

ISSUER & ISSUE: <u>Crab Orchard-MacArthur Public Service District</u> <u>Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program)</u>													
ADDRESS: <u>P. O. Drawer 278, Crab Orchard, WV 25827</u>	COUNTY: <u>Raleigh</u>												
PURPOSE: <u>New Money</u> ☒ <u>Refunding</u> ☐													
OF ISSUE: <u>Refunding</u> Refunds issue(s) dated: _____													
ISSUE DATE: <u>June 5, 1997</u>	CLOSING DATE: <u>June 5, 1997</u>												
ISSUE AMOUNT: \$ <u>250,000</u>	RATE: <u>0%</u>												
1st DEBT SERVICE DUE: <u>March 1, 1999</u>	1st PRINCIPAL DUE: <u>March 1, 1999</u>												
1st DEBT SERVICE AMOUNT: <u>3,125.00</u>	PAYING AGENT: <u>Municipal Bond Commission</u>												
ISSUERS: <u>Bowles Rice McDavid Graff</u> BOND COUNSEL: <u>& Love, P.L.L.C.</u>													
UNDERWRITERS: _____ BOND COUNSEL: <u>Jackson & Kelly</u>													
Contact Person: <u>Camden P. Siegrist, Esq.</u> Phone: <u>347-1129</u>	Contact Person: <u>Samme L. Gee, Esq.</u> Phone: <u>340-1318</u>												
CLOSING BANK: <u>United National Bank</u> Contact Person: <u>Kathy Smith</u> Phone: <u>348-8427</u>	ESCROW TRUSTEE: _____ Contact Person: _____ Phone: _____												
KNOWLEDGEABLE ISSUER CONTACT Contact Person: <u>Barry Milam</u> Position: <u>General Manager</u> Phone: <u>252-0604</u>	OTHER: _____ Contact Person: _____ Function: _____ Phone: _____												
DEPOSITS TO MBC AT CLOSE: <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">By <u>Wire</u></td> <td style="width: 30%;">Accrued Interest: _____ Days</td> <td style="width: 40%;">\$ _____</td> </tr> <tr> <td><u>Check</u></td> <td>Capitalized Interest: _____</td> <td>\$ _____</td> </tr> <tr> <td><u>IGT</u></td> <td>Reserve Account: _____</td> <td>\$ _____</td> </tr> <tr> <td></td> <td>Other: _____</td> <td>\$ _____</td> </tr> </table>		By <u>Wire</u>	Accrued Interest: _____ Days	\$ _____	<u>Check</u>	Capitalized Interest: _____	\$ _____	<u>IGT</u>	Reserve Account: _____	\$ _____		Other: _____	\$ _____
By <u>Wire</u>	Accrued Interest: _____ Days	\$ _____											
<u>Check</u>	Capitalized Interest: _____	\$ _____											
<u>IGT</u>	Reserve Account: _____	\$ _____											
	Other: _____	\$ _____											
REFUNDS & TRANSFERS BY MBC AT CLOSE: <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">By <u>Wire</u></td> <td style="width: 30%;">To Escrow Trustee: _____</td> <td style="width: 40%;">\$ _____</td> </tr> <tr> <td><u>Check</u></td> <td>To Issuer: _____</td> <td>\$ _____</td> </tr> <tr> <td><u>IGT</u></td> <td>To CIF-State Treasury _____</td> <td>\$ _____</td> </tr> <tr> <td></td> <td>To Other: _____</td> <td>\$ _____</td> </tr> </table>		By <u>Wire</u>	To Escrow Trustee: _____	\$ _____	<u>Check</u>	To Issuer: _____	\$ _____	<u>IGT</u>	To CIF-State Treasury _____	\$ _____		To Other: _____	\$ _____
By <u>Wire</u>	To Escrow Trustee: _____	\$ _____											
<u>Check</u>	To Issuer: _____	\$ _____											
<u>IGT</u>	To CIF-State Treasury _____	\$ _____											
	To Other: _____	\$ _____											
NOTES: _____ _____ _____													
FOR MUNICIPAL BOND COMMISSION USE ONLY: DOCUMENTS REQUIRED: _____ TRANSFERS REQUIRED: _____ _____													

WV MUNICIPAL BOND COMMISSION

Suite 300
812 Quarrier St
Charleston, WV 25301
PH (304) 558-3971
FAX (304) 558-1280

NEW ISSUE REPORT FORM

Date of Report: June 5, 1997

(See Reverse for Instructions)

ISSUER & ISSUE: <u>Crab Orchard-MacArthur Public Service District</u>		COUNTY: <u>Raleigh</u>	Fund)
ADDRESS: <u>P. O. Drawer 278, Crab Orchard, WV 25827</u>			
PURPOSE: <u>New Money</u> ☒ <u>X</u>			
OF ISSUE: <u>Refunding</u> ☐ Refunds issue(s) dated: _____			
ISSUE DATE: <u>June 5, 1997</u>	CLOSING DATE: <u>June 5, 1997</u>		
ISSUE AMOUNT: <u>\$ 1,774,300</u>	RATE: <u>0%</u>		
1st DEBT SERVICE DUE: <u>December 1, 1998</u>	1st PRINCIPAL DUE: <u>December 1, 1998</u>		
1st DEBT SERVICE AMOUNT: <u>7,647.80</u>	PAYING AGENT: <u>Municipal Bond Commission</u>		
ISSUERS <u>Bowles Rice McDavid Graff</u>		UNDERWRITERS	
BOND COUNSEL: <u>& Love, P.L.L.C.</u>		BOND COUNSEL: <u>Jackson & Kelly</u>	
Contact Person: <u>Camden P. Siegrist, Esq.</u>		Contact Person: <u>Samme L. Gee, Esq.</u>	
Phone: <u>347-1129</u>		Phone: <u>340-1318</u>	
CLOSING BANK: <u>United National Bank</u>		ESCROW TRUSTEE: _____	
Contact Person: <u>Kathy Smith</u>		Contact Person: _____	
Phone: <u>348-8427</u>		Phone: _____	
KNOWLEDGEABLE ISSUER CONTACT		OTHER: _____	
Contact Person: <u>Barry Milam</u>		Contact Person: _____	
Position: <u>General Manager</u>		Function: _____	
Phone: <u>252-0604</u>		Phone: _____	
DEPOSITS TO MBC AT CLOSE: Accrued Interest: _____ Days \$ _____			
By <u>Wire</u> Capitalized Interest: _____ \$ _____			
<u>Check</u> Reserve Account: _____ \$ _____			
<u>IGT</u> Other: _____ \$ _____			
REFUNDS & TRANSFERS BY MBC AT CLOSE:			
By <u>Wire</u> To Escrow Trustee: _____ \$ _____			
<u>Check</u> To Issuer: _____ \$ _____			
<u>IGT</u> To CIF-State Treasury _____ \$ _____			
To Other: _____ \$ _____			
NOTES: _____			

FOR MUNICIPAL BOND COMMISSION USE ONLY:			
DOCUMENTS			
REQUIRED: _____			
TRANSFERS			
REQUIRED: _____			

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT

**SEWERAGE SYSTEM REVENUE BONDS
SERIES 1997 A (WEST VIRGINIA SRF PROGRAM) AND
SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND)**

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

United National Bank, Beckley, West Virginia, a national banking association with offices in the City of Beckley, West Virginia, hereby accepts appointment as Depository Bank in connection with the respective Bond Resolutions and Supplemental Resolutions (collectively, the "Resolutions") of Crab Orchard-MacArthur Public Service District, each adopted June 5, 1997, authorizing issuance of the District's Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) and dated June 5, 1997 in the maximum aggregate principal amount of \$250,000 (the "Series 1997 A Bonds") and Sewerage System Revenue Bonds Series 1997 B (West Virginia Infrastructure Fund), dated June 5, 1997 in the maximum aggregate principal amount of \$1,774,300 (the "Series 1997 B Bonds") and agrees to perform all duties of Depository Bank in connection with such Series 1997 A Bonds and Series 1997 B Bonds, all as set forth in said Resolutions.

Dated this 5th day of June, 1997.

UNITED NATIONAL BANK

By: Kenneth E. Lilly
Its: Commercial Banking Officer

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT

**SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A
(WEST VIRGINIA SRF PROGRAM) AND SERIES 1997 B BONDS
(WEST VIRGINIA INFRASTRUCTURE FUND)**

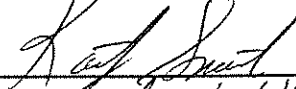
ACCEPTANCE OF DUTIES OF REGISTRAR

United National Bank, a national banking association with offices in the City of Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Crab Orchard-MacArthur Public Service District Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program), dated June 5, 1997, in the maximum aggregate principal amount of \$250,000 (the "Series 1997 A Bonds") and Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund), dated June 5, 1997 in the maximum aggregate principal amount of \$1,774,300 (the "Series 1997 B Bonds") and agrees to perform all duties of Registrar in connection with the Series 1997 A Bonds and Series 1997 B Bonds, all as set forth in the Bond Legislation authorizing issuance of the Series 1997 A Bonds and Series 1997 B Bonds.

Dated this 5th day of June, 1997.

UNITED NATIONAL BANK

By


Its: Assistant Vice President

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT

**SEWERAGE SYSTEM REVENUE BONDS, SERIES 1997 A
(WEST VIRGINIA SRF PROGRAM) AND SERIES 1997 B
(WEST VIRGINIA INFRASTRUCTURE FUND)**

CERTIFICATE OF REGISTRATION OF BONDS

I, Kathy Smith, Assistant Vice President of United National Bank, as Registrar under the Bond Resolutions providing for the issuance of the above captioned bonds, hereby certifies that on the date hereof, the single, fully registered Crab Orchard-MacArthur Public Service District Sewerage System Revenue Bond, Series 1997 A (West Virginia SRF Program), dated June 5, 1997, in the principal amount of \$250,000, numbered AR-1, and the single, fully registered Crab Orchard-MacArthur Public Service District Sewerage System Revenue Bond, Series 1997 B (West Virginia Infrastructure Fund), dated June 5, 1997, in the principal amount of \$1,774,300, numbered BR-1, were registered as to principal in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of United National Bank, as Registrar.

WITNESS my signature as of this 5th day of June, 1997.

UNITED NATIONAL BANK

By: _____

Kathy Smith

Its: Assistant Vice President

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 5th day of June, 1997, by and between CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED NATIONAL BANK, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$250,000 Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) and \$1,774,300 Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund), in fully registered form (collectively, the "Bonds"), pursuant to respective Bond Resolutions adopted June 5, 1997, and Supplemental Resolutions thereto also adopted June 5, 1997 (collectively, the "Local Act");

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 Local Act, copies of which are attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Local Act provides for an appointment by the Issuer of a Registrar for the Bonds; and

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

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

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Local Act, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest, if any, on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen

signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the schedule annexed hereto as Exhibit B and reimbursement for reasonable expenses incurred in connection herewith.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Local Act with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Local Act, the terms of the Local Act 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 Local Act will violate any order, decree or agreement to which it is a party or by which it is bound.

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

Issuer: Crab Orchard-MacArthur Public Service District
P. O. Drawer 278
Crab Orchard, West Virginia 25827

Registrar: United National Bank
500 Virginia Street, East
Charleston, WV 25301
Attn: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Local Act.

IN WITNESS WHEREOF, CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT and UNITED NATIONAL BANK, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT

By: _____

Its: Chairman

UNITED NATIONAL BANK

By: _____

Its: Assistant Vice President

EXHIBIT A

[Included in transcript as Document Nos. 1, 2, 4 and 5]

EXHIBIT B

Schedule of Registrar's Fees

CHS/97614



Crab Orchard/MacArthur Public Service District 1997

The undersigned proposes to furnish the registrar services in connection with the above-referenced bonds for the following charges:

1. (a) Initial Fee/Acceptance Fee \$ 500.00

(b) If the amount specified in 1(a)
above does not include Trustee's
Counsel fees, please specify the
amount of Trustee counsel Fee n/a

*Legal fees would be in addition to our acceptance fees. Our counsel was unable to provide an estimate of legal fees without details regarding the registration.

2. Annual Registrar
fee for all bonds \$ 500.00

Total Annual Fee: \$ 500.00

United National Bank
Bank/Financial Institute

Kathy A. Smith
Contact Person

Assistant Vice President
Title

Phone: (304) 348-8427

Fax: (304) 348-8431

Date: May 30, 1997

CREDIT AGREEMENT

THIS AGREEMENT, Made this 5th day of June, 1997, by and between Crab Orchard-MacArthur Public Service District (the "Borrower") situate in Raleigh County, West Virginia, and United National Bank, a national banking association of Beckley, Raleigh County, West Virginia (the "Bank").

WHEREAS, pursuant to a Loan Agreement (together with all supplements and attachments pertaining thereto, the "SRF Loan Agreement") dated April 18, 1997, by and among the Borrower, the West Virginia Water Development Authority (the "WDA") and the West Virginia Division of Environmental Protection (the "DEP"), Borrower is to receive a Loan in the amount of \$250,000.00 from the West Virginia Water Pollution Control Revolving Fund (the "SRF Fund") to finance, in part, additions and improvements to its existing public sewerage facilities (the "Project"); and

WHEREAS, pursuant to a resolution of the Borrower, adopted on June 5, 1997, the Borrower has issued its Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) (the "Series 1997 A Bonds"), in the principal amount of \$250,000.00 which Series 1997 A Bonds have been purchased by the WDA with moneys from the SRF Fund, as contemplated by the SRF Loan Agreement; and

WHEREAS, pursuant to a Loan Agreement (together with all supplements and attachments pertaining thereto, the "Infrastructure Loan Agreement") dated June 5, 1997, by and between the Issuer and the WDA, on behalf of the West Virginia Infrastructure and Jobs Development Council, Borrower is to receive a Loan in the amount of \$1,774,300.00 from the West Virginia Infrastructure Fund (the "Infrastructure Fund") to finance, in part, the Project,

WHEREAS, pursuant to a resolution of the Borrower adopted on June 5, 1997, the Borrower has issued its Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund) (the "Series 1997 B Bonds") in the principal amount of \$1,774,300.00 which Series 1997 B Bonds have been purchased by the WDA with moneys from the Infrastructure Fund, as contemplated by the Infrastructure Loan Agreement; and

WHEREAS, the Borrower is also to receive a grant in the amount of \$745,000.00 from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) and a grant in the amount of \$250,000.00 from the County Commission of Raleigh County, West Virginia (collectively, the "Grants"); and

WHEREAS, the proceeds of the sale of the Series 1997 A Bonds and the Series 1997 B Bonds (the "Bonds") and from the Grants are to be paid to the Borrower in installments during construction of the Project; and

WHEREAS, the Borrower desires to arrange interim financing against the proceeds of the sale of the Bonds and from the Grants to facilitate prompt acquisition and construction of the Project; and

WHEREAS, the Bank is interested in lending not to exceed \$500,000.00 to the Borrower in construction advances with interest at a rate of interest equal to the Chase Manhattan Bank, N.A. prime rate, plus one percent (1%), which rate of interest shall be adjusted to a rate of interest equal to the Chase Manhattan Bank, N.A. prime rate plus one percent (1%), as of the dates of such changes in such prime rate; and

WHEREAS, the Bank requires this credit agreement to state the terms upon which such advances will be made and repaid;

NOW THEREFORE, WITNESSETH: that in consideration of the premises and of the construction advances to be made by the Bank as hereinafter provided, the Borrower covenants and agrees and makes assignment as follows:

1. The Borrower hereby assigns, sells, sets over, transfers and delivers to the Bank all its right, title and interest in and to the proceeds of the sale of the Bonds and the Grants in the principal amount of not to exceed \$500,000 to and only to the extent of the principal amount of construction advances made by the Bank to the Borrower and interest from the dates of takedowns of construction advances to the date of payment thereof. The Borrower agrees to pay over immediately to the Bank all proceeds of the Bonds and the Grants as such proceeds are received to the extent of unpaid construction advances made by the Bank to the Borrower and any accrued interest thereon.

2. At or immediately following the receipt of the final installment of the proceeds of the sale of the Bonds and final proceeds of the Grants, the Borrower will repay to the Bank the principal amount of all construction advances made hereunder and accrued interest thereon to the date of payment. Upon receipt of such repayment by the Bank, this credit agreement shall become null and void and of no further effect without the necessity of any release or other documents.

3. It is understood and agreed that before any construction advances will be made by the Bank to the Borrower, the Bank shall have received (a) assurances satisfactory to it that all terms, conditions and provisions of the Loan Agreements and the Bond Resolutions have been or will be satisfied by the Borrower; (b) a negotiable promissory note duly executed on behalf of the Borrower payable to the order of the Bank consistent with the provisions hereof and otherwise in such form as may be required by the Bank; and (c) a certified copy of the Loan Agreements and the Bond Resolutions and the other documentation provided in this credit agreement or required by the Bank whether herein provided or not.

4. Prior to the making of any construction advances hereunder, the Bank shall have received from the Borrower as to each such advance (a) a periodic construction estimate for the applicable period from the engineer or architect for the Borrower; (b) a duly certified resolution

of the governing body of the Borrower in form and substance satisfactory to the Bank approving each such periodic construction estimate and requesting the Bank to make a construction advance in the amount stated in such periodic construction estimate; (c) evidence that expenditures have been approved by the engineers for the Borrower, subject to final audit; and (d) a certificate from the engineer for the Borrower that anticipated proceeds from the sale of the Bonds and from the Grants expected to be received will be at least sufficient to repay such construction advance with interest.

It is understood and agreed that the Bank shall be entitled to rely entirely upon such periodic construction estimates in the making of construction advances and shall be under no obligation to make any inspection of the construction work upon the Project; and it is further understood and agreed that such architect or engineer is at all times and for all purposes deemed to be the agent of the Borrower and not of the Bank.

5. The Borrower hereby covenants and agrees that it will comply with all terms, provisions and requirements of the Loan Agreements and the Bond Resolutions. The Borrower hereby authorizes and empowers the Bank, at the Bank's option, to act as its agent, at the expense of the Borrower, to take all steps necessary to effect such compliance prior to receipt of the proceeds of the sale of the Bonds, and from the Grants if the Borrower fails to do so, any such action by the Bank not to constitute a waiver by the Bank of any of its rights hereunder.

6. Borrower hereby irrevocably covenants and agrees to proceed promptly with construction of the Project as described in the plans and specifications therefor now on file with the Secretary of the Borrower, prepared by Dunn Engineers, Inc., Consulting Engineers, Charleston, West Virginia.

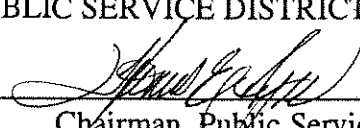
7. Notwithstanding any provision herein to the contrary, this Credit Agreement is intended as a revolving credit facility and the Borrower may borrow up to \$500,000 more than one time so long as this Agreement is in effect.

There are attached hereto as parts hereof (1) true and correct and complete copies of the Loan Agreements; and (2) certified copies of the Bond Resolutions. The Borrower covenants to furnish promptly to the Bank true and correct and complete copies of all agreements, supplements, amendments, and waivers to the Loan Agreements, and certified copies of all resolutions supplemental to the Bond Resolutions.

IN WITNESS WHEREOF, the above-named Borrower has caused its name to be signed by its Chairman on the date first above written.

CRAB ORCHARD-MACARTHUR
PUBLIC SERVICE DISTRICT

By


Chairman, Public Service Board

UNITED NATIONAL BANK

By Kenneth E. Lilly
Its Commercial Banking Officer

This instrument prepared under the direction of Camden P. Siegrist, BOWLES RICE MCDAVID GRAFF & LOVE, P.L.L.C., 600 Quarrier Street, Charleston, West Virginia 25301.

CHS/97086



DIVISION OF ENVIRONMENTAL PROTECTION

CECIL H. UNDERWOOD
GOVERNOR

1201 Greenbrier Street
Charleston, WV 25311-1088

LAIDLEY ELI MCCOY, PH.D.
DIRECTOR

April 4, 1997

RECEIVED
APR 10 1997

WV DEPT. OF ENVIRONMENTAL PROTECTION
CONSTRUCTION ASSISTANT

Arlie Porter, Chairman
Crab Orchard-MacArthur
Public Service District
P. O. Drawer 278
Crab Orchard, WV 25827

CERTIFIED RETURN RECEIPT REQUESTED

Re: WV/NPDES Permit No. WV0082309
Modification No. 1

Dear Mr. Porter:

This letter serves as Modification No. 1 of your existing WV/NPDES Water Pollution Control Permit No. WV0082309, issued the 3rd day of November 1994.

After review and consideration of the information submitted on, and with, Permit Modification Application No. WV0082309-A, dated the 2nd day of August 1996, the plans and specifications, additional information, dated the 19th day of February 1997, and other relevant information, the subject Permit is hereby modified to effectuate, and incorporate, the following changes.

To acquire, construct, install, operate and maintain a wastewater collection system to be comprised of approximately 11,700 linear feet of six(6) inch diameter gravity sewer line, 28,900 linear feet of eight(8) inch diameter gravity sewer line, 245 manholes, 108 cleanouts, two(2) lift stations, 1,600 linear feet of three(3) inch diameter force main, 3,600 linear feet of six(6) inch diameter force main, and all requisite appurtenances.

These facilities are to serve a population equivalent of approximately 1,280 persons in the Midway area of the Crab Orchard-MacArthur Public Service District, and convey wastewater to the Public Service District's wastewater treatment plant for subsequent treatment and discharge to Piney Creek, approximately 14.0 miles from its mouth, of the New River of the Kanawha River. The additional wastewater flow to be generated is anticipated to be approximately 89,600 gallons per day.

Arlie Porter, Chairman
Crab Orchard-MacArthur
Public Service District
Page 2
April 4, 1997

The wastewater collection system extension project shall be constructed in accordance with the plans and specifications, approved the 8th day of October 1996, and approved addenda, thereto, prepared by Dunn Engineers, Inc.; 701 Virginia Street, West; Charleston, WV 25302, and entitled "Crab Orchard-MacArthur Public Service District; Raleigh County, West Virginia; Community of Midway; Wastewater Collection System; SRF Project No. C-544209."

By submission of the site registration application form, dated the 5th day of August 1996, and acceptance, thereof, by this Office, as terms and conditions of this Permit Modification, expressly requires compliance, by the permittee, for the construction activities relative to the wastewater collection system extension, under WV/NPDES Storm Water General Water Pollution Control Permit No. WV0111457, issued the 8th day of June 1992.

To incorporate the requirements of Chapter 22, Article 15, Section 20(b) of the West Virginia Code, in accordance with the provisions of Title 47, Series 38D of the West Virginia Legislative Rules, relative to the disposal of sewage sludge generated by the wastewater treatment plant. The permittee shall utilize land application for the disposal of the sewage sludge generated and/or processed at the wastewater treatment plant. Appropriate terms and conditions instituted by the Legislative Rules shall be incorporated, herein, under Section H, as attached, of the Permit.

Enclosed are incorporated page 24A of 25, incorporated page 24B of 25, incorporated page 24C of 25, incorporated page 24D of 25, incorporated page 24E of 25, incorporated page 24F of 25, and incorporated page 24G of 25, along with a Sewage Sludge Management Report, Land Application Summary form, and Sewage Sludge Monitoring Reports. These documents shall be incorporated into your existing Permit.

Arlie Porter, Chairman
Crab Orchard-MacArthur
Public Service District
Page 3
April 4, 1997

All other terms and conditions of the subject Permit shall remain in effect and unchanged.

Sincerely,

OFFICE OF WATER RESOURCES


Barbara S. Taylor
Chief

BST:jdm

Enclosures



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

RECEIVED
SEP 25 1996
REGION I PLANNING AND
DEVELOPMENT COUNCIL

September 23, 1996

GASTON CAPERTON
GOVERNOR

The Honorable Jack MacDonald
President
Raleigh County Commission
Post Office Box AN
Beckley, West Virginia 25802-2836

Dear Commissioner MacDonald:

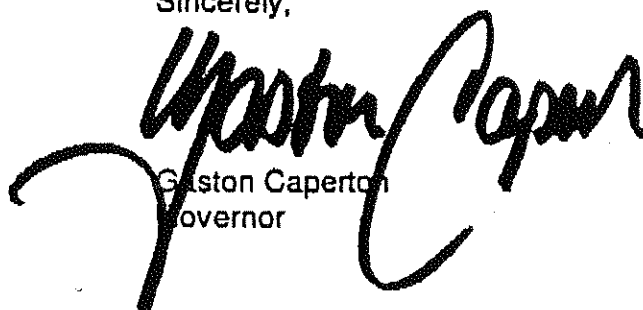
On October 12, 1993, the Raleigh County Commission received a commitment of \$745,000 in Small Cities Block Grant funds for the Midway sewer project.

The SCBG award was based upon your immediate need for funds; and, therefore, only \$245,000 was made available from the FY1993 allocation, with a commitment to evaluate your progress and provide the remaining funding from future allocations.

Based upon the county's ability to proceed with this worthwhile community development project, I am committing the remaining \$500,000 from the FY1996 Small Cities allocation. Your existing SCBG contract will be amended to include the additional funds.

It is with pleasure that I am able to work with you to make this project a reality.

Sincerely,



Gaston Caperton
Governor

GC:ths

✓
Lcc: Region I



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

GASTON CAPERTON
GOVERNOR

October 12, 1993

The Honorable Vernon Barley
President
Raleigh County Commission
Post Office Box AN
Beckley, West Virginia 25802-2836

Dear Commissioner Barley:

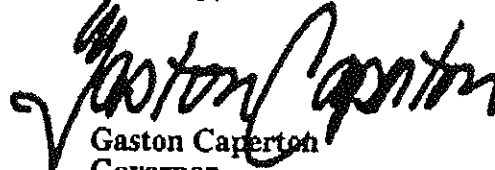
Thank you for your application to the Small Cities Block Grant Program for fiscal year 1993.

I am pleased to approve your request in the amount of \$745,000. These funds will enable you to construct the Midway sewage system project.

In order to most effectively use the limited dollars available, I hereby commit \$245,000 from our fiscal year 1993 allocation which will be immediately available to you. The remaining \$500,000 necessary to complete this project will be evaluated and committed in the coming fiscal year. I encourage you to expedite this project and reach its completion as quickly as possible with this funding strategy in mind. The West Virginia Development Office, Community Development staff, will contact you to complete the necessary contracts in order to proceed with your project.

It is with pleasure that I am able to work with you to make this project a reality.

Sincerely,



Gaston Caperton
Governor

GC:tlb



County Commission of Raleigh County

Post Office Drawer A.N.
Beckley, West Virginia 25802-2836

(304) 255-9146

Phone

(304) 255-9166

Fax



LETTER OF UNDERSTANDING

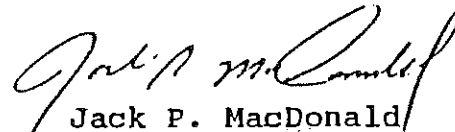
This letter of understanding is dated July 23, 1996, and is between the Raleigh County Commission, Crab Orchard - MacArthur Public Service District and Delegate Robert Kiss.

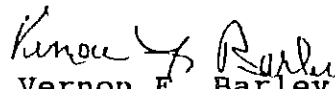
This agreement between all parties is to designate \$250,000 of the \$350,000 to be the priority funding in this year's Budget Digest monies. It is to be understood by all parties that the number one priority in Raleigh County is the \$250,000 commitment to the Crab Orchard - MacArthur Public Service District through the Raleigh County Commission received from the Governor's Partnership Grant in this year's digest that money be rendered first and foremost as Raleigh County finds itself with a project that is basically ready to go and it has other commitments pending upon the receipt of this \$250,000. Those being a Small Cities Block Grant and also other commitments from the Infrastructure Council of both grant and loan.

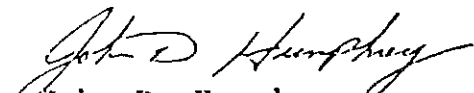
It is agreed upon by all parties that when this \$350,000 is to be available that the \$250,000 will immediately be processed to make this project a reality. It is also understood that Crab Orchard - MacArthur Public Service District will, in fact, have other financial commitments in place to actually start the construction of this project prior to receiving this \$250,000 but this letter of agreement will suffice as a letter of commitment to actually begin the project prior to the actual receiving of these monies.

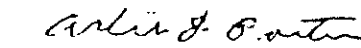
By our signatures affixed below, we are in total agreement providing that the money is made available through the State's Budget Digest process that this, in fact, is agreeable between all parties.

Robert S. Kiss
House Finance Chairman

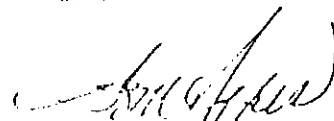

Jack P. MacDonald
President - Raleigh
County Commission


Vernon F. Barley
Commissioner - Raleigh
County


John D. Humphrey
Commissioner - Raleigh
County


Arlie J. Porter
Chairman - Crab Orchard -
MacArthur PSD


Zeno Sparks
Crab Orchard - MacArthur
PSD


Tom Ayres
Crab Orchard - MacArthur
PSD



State of West Virginia
WATER DEVELOPMENT AUTHORITY

1201 Dunbar Avenue
Dunbar WV 25064-3017

Telephone (304) 558-3612
Telecopier (304) 558-0299

June 5, 1997

CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS
SERIES 1997 A (WEST VIRGINIA SRF PROGRAM) AND
SERIES 1997 B (WEST VIRGINIA INFRASTRUCTURE FUND)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Series 1986 B Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewerage System Revenue Bonds, Series 1997 A (West Virginia SRF Program) in the aggregate principal amount of not more than \$250,000 (the "Series 1997 A Bonds") and Sewerage System Revenue Bonds, Series 1997 B (West Virginia Infrastructure Fund) in aggregate principal amount of not more than \$1,774,300 (the "Series 1997 B Bonds") by Crab Orchard-MacArthur Public Service District (the "Issuer"), under the terms of the respective resolutions authorizing the Series 1997 A Bonds and the Series 1997 B Bonds adopted by the Issuer on June 5, 1997, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's Sewer Revenue Bonds, Series 1986 B (the "Series 1986 B Bonds").

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By Daniel B. Yarbosh
Its _____ Director