KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2010 A
(United States Department of Agriculture)

BOND RESOLUTION

Table of Contents

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01 Authority for this Resolution
Section 1.02 Findings and Determinations
Section 1.03 Bond Legislation Constitutes Contract
Section 1.04 Definitions

ARTICLE II
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01 Authorization of Acquisition and Construction of the Project

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01 Authorization of Bonds
Section 3.02 Description of Bonds
Section 3.03 Negotiability, Registration, Transfer and Exchange of Bonds
Section 3.04 Bond Registrar
Section 3.05 Execution of Bonds
Section 3.06 Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07 Bonds Secured by Pledge of Net Revenues
Section 3.08 Form of Bond
FORM OF BOND

ARTICLE IV
SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01 Establishment of Funds and Accounts with Depository Bank
Section 4.02 Bond Proceeds; Project Construction Account
Section 4.03 Covenants of the Issuer as to System Revenues and Funds

ARTICLE V
GENERAL COVENANTS, ETC.

Section 5.01 General Statement
Section 5.02 Rates
Section 5.03 Sale of the System
Section 5.04 Issuance of Additional Parity Bonds or Obligations
Section 5.05 Insurance and Bonds
Section 5.06 Statutory Mortgage Lien
Section 5.07 Events of Default
Section 5.08 Enforcement
Section 5.09 Fiscal Year; Budget
Section 5.10 Compensation of Members of Governing Body
Section 5.11 Covenant to Proceed and Complete
Section 5.12 Books and Records; Audits
Section 5.13 Maintenance of System
Section 5.14 No Competition

ARTICLE VI
RATES, ETC.

Section 6.01 Initial Schedule of Rates and Charges; Rules

ARTICLE VII
MISCELLANEOUS

Section 7.01 Payment of Bonds
Section 7.02 Modification or Amendment
Section 7.03 Delivery of Bonds
Section 7.04 Severability of Invalid Provisions
Section 7.05 Conflicting Provisions Repealed
Section 7.06 Table of Contents and Headings
Section 7.07 Covenant of Due Procedure, Etc.
Section 7.08 Effective Time
SIGNATURES
CERTIFICATION

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY KINGMILL VALLEY PUBLIC SERVICE DISTRICT OF NOT MORE THAN $2,770,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. Kingmill Valley Public Service District (the "Issuer") is a public corporation, public service district and political subdivision of the State of West Virginia in Marion County of said State, duly created pursuant to the Act by The County Commission of Marion County.

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

A. The Issuer currently owns and operates a public sewerage system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, improvements and extensions to such existing sewerage facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing sewerage facilities of the Issuer, consisting of construction of 6-inch and 8-inch gravity sewer line, 8-

inch force main, 10-inch river crossing force main, lift station upgrades, new manholes, miscellaneous equipment upgrades and system wide SCADA system upgrades for communication to all lift stations, together with all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing sewerage facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is $2,770,000 of which $2,770,000 will be obtained from the proceeds of sale of the Series 2010 A Bonds.

E. It is necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2010 A (United States Department of Agriculture), in the aggregate principal amount of $2,770,000 (the "Series 2010 A Bonds"), to finance the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2010 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2010 A Bonds as to liens, pledge and source of and security for payment being the Issuer's (i) Sewer Revenue Bonds, Series 1986 B, dated June 10, 1986, issued in the original aggregate principal amount of $81,343 (the "Series 1986 B Bonds"), (ii) Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), dated June 15, 1999, issued in the original aggregate principal amount of $183,200 (the "Series 1999 A Bonds"), and (iii) Sewer Refunding Revenue Bonds, Series 2001 A, dated September 1, 2001, issued in the original aggregated principal amount of $1,130,000 (the "Series 2001 A Bonds") (collectively called the "Prior Bonds.")

The Issuer is not in default under the terms of the Prior Bonds, or the resolutions authorizing issuance of the Prior Bonds or any document in connection therewith, and has complied

with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

Prior to the issuance of the Series 2010 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consents of the Holders of the Series 1986 B Bonds and Series 1999 A Bonds to the issuance of the Series 2010 A Bonds on a parity with the Series 1986 B Bonds and Series 1999 A Bonds. The Series 2001 A Bonds do not require consent. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. It is in the best interest of the Issuer that the Series 2010 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated August 5, 2008 and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2010 A Bonds, or will have so complied prior to issuance of the Series 2010 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2010 A Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2010 A Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

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

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

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

"Bonds" means, collectively, the Series 2010 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

"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 Engineer" means Greenhorne & O'Mara, Inc., Fairmont, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02 (E) hereof.

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

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

"Grants" means, collectively, all grants committed for the Project.

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

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

"Issuer," "Borrower" or "District" means Kingmill Valley Public Service District, a public service district, a public corporation and a political subdivision of the State of West Virginia, in Marion County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means the Letter of Conditions of the Purchaser dated August 5, 2008, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2010 A Bonds in the then current or any succeeding year.

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

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

"Prior Bonds" means, collectively, the Series 1986 B Bonds, the Series 1999 A Bonds, and the Series 2001 A Bonds.

"Prior Bonds Reserve Accounts" means, collectively, the respective reserve accounts created for the Prior Bonds, as more fully described and defined in the Prior Resolutions.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, respectively, adopted authorizing the issuance of the Prior Bonds.

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

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

(a) Government Obligations;

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

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

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other

federal agency and backed by the full faith and credit of the United States of America;

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

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

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

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

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

"Registered Owners," "Bondholders," "Holders of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolutions and the Bond Legislation.

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

"Secretary" means the Secretary of the Governing Body.

"Series 1986 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1986 B (West Virginia Water Development Authority), dated June 10, 1986, issued in the original aggregate principal amount of $81,343.

"Series 1999 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), dated June 15, 1999, issued in the original aggregate principal amount of $183,200.

"Series 2001 A Bonds" means the Issuer's Sewer Refunding Revenue Bonds, Series 2001 A, dated September 1, 2001, issued in the original aggregated principal amount of $1,130,000

"Series 2010 A Bonds" or "Series 2009 Bonds" means the Sewer Revenue Bonds, Series 2010 A (United States Department of Agriculture) authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2010 A Bonds Reserve Account" means the Series 2010 A Bonds Reserve Account established by Section 4.01 hereof.

"Series 2010 A Bonds Project Construction Fund" means the Series 2010 A Bonds Construction Fund established by Section 4.01 hereof.

"System" means the complete public sewerage system of the Issuer, presently existing in its entirety or any integral part thereof, and shall include the Project and any improvements and extensions thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $2,770,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2010 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

The project is estimated to cost $2,770,000 of which $2,770,000 will be received from the proceeds of the Series 2010 A Bonds.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2010 A Bonds of the Issuer, to be known as "Sewer Revenue Bonds, Series 2010 A (United States Department of Agriculture)" is hereby authorized to be issued in the aggregate principal amounts $2,770,000 for the purpose of financing the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2010 A Bonds shall be issued in single form, numbered AR-1 only as fully registered Bonds, and shall be dated the date of delivery thereof. The Series 2010 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.0% per annum, and shall be sold for the par value thereof.

The Series 2010 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2010 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2010 A Bonds, and the right to principal of and stated interest on the Series 2010 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2010 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2010 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate

principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2010 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2010 A Bonds.

Section 3.04 Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2010 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2010 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2010 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2010 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2010 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2010 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2010 A Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2010 A Bonds shall cease to be such officer of the Issuer before the Series 2010 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. The Series 2010 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 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2010 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2010 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2010 A Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2010 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2010 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2010 A Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2010 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. AR-1 Date: _____

FOR VALUE RECEIVED, KINGMILL VALLEY PUBLIC SERVICE DISTRICT (herein called "Issuer") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ ($_____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $_____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment

due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the sewerage system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolutions and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Issuer duly adopted _____, 2009, authorizing issuance of this Bond (the "Resolution").

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

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall

be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING SEWER REVENUE BONDS OF THE ISSUER:

(1) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 10, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS");

(2) SEWER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS); AND

(3) SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, DATED SEPTEMBER 1, 2001, ISSUED IN THE ORIGINAL AGGREGATED PRINCIPAL AMOUNT OF $1,130,000 (THE "SERIES 2001 A BONDS").

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

IN WITNESS WHEREOF, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

_____
Chairman

ATTEST:

_____
Secretary

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20____.

_____

In the presence of:

_____

ARTICLE IV

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

Section 4.01 A. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions); and

(3) Series 2010 A Bonds Project Construction Account;

B. Establishment of Funds and Accounts with Commission. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and from each other:

(1) Series 1986 B Bonds Sinking Fund (established by the Prior Resolutions);

(2) Series 1986 B Bonds Reserve Account (established by the Prior Resolutions);

(3) Series 1999 A Bonds Sinking Fund (established by the Prior Resolutions);

(4) Series 1999 A Bonds Reserve Account (established by the Prior Resolutions);

(5) Series 2001 A Bonds Sinking Fund (established by the Prior Resolutions);

(6) Series 2001 A Bonds Reserve Account (established by the Prior Resolutions);

(7) Series 2010 A Bonds Reserve Account.

Section 4.02 Bond Proceeds; Project Construction Accounts. The proceeds of the sale of the Series 2010 A Bonds shall be deposited upon receipt by the Issuer in the Series 2010 A Bonds Project Construction Account. The monies in the Series 2010 A Bonds Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Series 2010 A Bonds Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2010 A Bonds Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Series 2010 A Bonds Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2010 A Bonds, if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Series 2010 A Bonds Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 2010 A Bonds Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2010 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2010 A Bonds Reserve Account a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2010 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2010 A Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Resolutions.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Resolutions not otherwise modified herein:

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

(2) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously remit to (i) the Commission the amounts required by the Prior Resolutions to pay interest on the Series 1986 B Bonds, the Series 1999 A Bonds and the Series 2001 A Bonds; and (ii) the National Finance Office, the amounts required to pay the interest on the Series 2010 A Bonds. All payments with respect to interest on the Series 2010 A Bonds and the Prior Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously remit to (i) the Commission the amounts required by the Prior Resolutions to pay principal on the Series 2001 A Bonds, Series 1999 A Bonds, Series 1986 B Bonds; and (ii) the National Finance

Office, the amounts required to pay the principal on the Series 2010 A Bonds. All payments with respect to principal of the Series 2010 A Bonds and the Prior Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Commission the amounts required by the Prior Resolutions to be deposited in the Prior Bonds Reserve Accounts; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2010 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2010 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2010 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 Minimum Reserve. Monies in the Series 2010 A Bonds Reserve Account shall be used solely to make up any deficiency for the respective monthly payments of the principal of and interest on the Series 2010 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2010 A Bonds, or for mandatory prepayment of the Series 2010 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2010 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(5) The Issuer shall next, on the first day of each month, from the moneys remaining in the Revenue Fund (as previously set forth in the Prior Resolution 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, 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.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining

therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Series 2010 A Bonds Reserve Account shall be sufficient to prepay the Series 2010 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2010 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2010 A Bonds Reserve Account. All amounts required for the Series 2010 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

The Revenue Fund shall constitute a Trust Fund and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2010 A Bonds and the interest thereon, on a parity with the Prior Bonds.

The Series 2010 A Bonds Reserve Account shall constitute trust fund and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2010 A Bonds and the interest thereon, on a parity with the Prior Bonds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2010 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission shall keep the monies in the Series 2010 A Bonds Reserve Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2010 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein,

shall be paid annually by the Commission to the Issuer and deposited in the Revenue Fund.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2010 A Bonds, provide evidence that there will be at least 1,326 bona fide users upon the System on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank and the Commission such additional sums as shall be necessary to pay the charges and fees of the Depository Bank or the Commission then due.

F. INVESTMENT OF EXCESS BALANCES. The monies in excess of the sum insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2010 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2010 A Bonds Reserve Account, sums sufficient to prepay the entire principal of the Series 2010 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2010 A Bonds.

Section 5.02. Rates. So long as the Prior Bonds are outstanding, the Issuer will maintain rates and coverage as required in the Prior Resolutions. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2010 A Bonds and the Prior Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. 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. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2010 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2010 A Bonds.

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

So long as the Series 2010 A Bonds are Outstanding, 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, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds then Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Holders of the Series 2010 A Bonds, representing 75% of the then-outstanding principal indebtedness.

So long as the Series 1986 B Bonds, Series 1999 A Bonds or Series 2001 A Bonds are outstanding, 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, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net

Revenues expected to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (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 issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted 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 over any other Bond. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2010 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2010 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 with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2010 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2010 A Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a

community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2010 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2010 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2010 A Bonds.

Section 5.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) Failure to make payment of any monthly amortization installment upon the Series 2010 A Bonds at the date specified for payment thereof;

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2010 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law; and

(c) If a default occurs with respect to the Prior Bonds or the Prior Resolutions.

Section 5.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same

in such manner as the court may direct; provided that, all rights and remedies of the Holders of the Prior Bonds shall be on a parity with the Series 2010 A Bonds.

Section 5.09. Fiscal Year; Budget. While the Series 2010 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 5.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2010 A Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the Recommended Decision of the Public Service Commission of West Virginia, entered on October 26, 2009 in Case No. 09-0368-PSD-CN, which became Final Order on November, 15, 2009 and corrected by Commission Final Order dated January 14, 2010, which is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2010 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 with respect to the Series 2010 A Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2010 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2010 A Bonds, the Issuer may not defease the Series 2010 A Bonds or otherwise provide for payment thereof by escrow or like manner.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2010 A Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2010 A Bonds.

Section 7.05. Conflicting Provisions Repealed. The Prior Resolutions and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions.

Except for the Prior Resolutions, all resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State 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 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

[Remainder of Page Intentionally Blank]

Adopted this 9th day of February, 2010.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of KINGMILL VALLEY PUBLIC SERVICE DISTRICT on the 9th day of February, 2010.

Dated: February 11, 2010.

[SEAL]

Secretary

483960.00002

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 1986 A AND SERIES 1986 B

BOND RESOLUTION

Table of Contents

Subject			Page
ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS			
	Section 1.01	Authority for this Resolution	1
	Section 1.02	Findings	1
	Section 1.03	Bond Legislation Constitutes Contract	3
	Section 1.04	Definitions	4
ARTICLE II - AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT			
	Section 2.01	Authorization of Construction and Acquisition of the Project	12
ARTICLE III - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT			
	Section 3.01	Authorization of Bonds	13
	Section 3.02	Terms of Bonds	13
	Section 3.03	Execution of Bonds	14
	Section 3.04	Authentication and Registration	14
	Section 3.05	Negotiability, Transfer and Registration	14
	Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	15
	Section 3.07	Bonds not to be Indebtedness of the Issuer	16
	Section 3.08	Bonds Secured by Pledge of Net Revenues on a Parity with the Series 1986 Bonds; Series 1986 B Bonds to be Junior and Subordinate to Series 1986 A Bonds and Series 1986 Bonds	16
	Section 3.09	Form of Original Bonds	16
	FORM OF SERIES 1986 A BOND		17
	FORM OF SERIES 1986 B BOND		24

31A

Section 3.10	Sale of Original Bonds; Execution of Loan Agreement with Authority	31

ARTICLE IV -

[RESERVED]		32

ARTICLE V - SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	33
Section 5.02	Establishment of Funds and Accounts with Commission	33
Section 5.03	System Revenues; Flow of Funds	33

ARTICLE VI - BONDS PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01	Application of Bonds Proceeds; Pledge of Unexpended Bonds Proceeds	39
Section 6.02	Disbursements from the Bonds Construction Trust Fund	39

ARTICLE VII - COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	41
Section 7.02	Bonds not to be Indebtedness of the Issuer	41
Section 7.03	Bonds Secured by Pledge of Net Revenues	41
Section 7.04	Initial Schedule of Rates and Charges	41
Section 7.05	Sale of the System	42
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	43
Section 7.07	Parity Bonds	43
Section 7.08	Books and Records	46
Section 7.09	Rates	47
Section 7.10	Operating Budget and Audit	48
Section 7.11	No Competing Franchise	48
Section 7.12	Enforcement of Collections	48
Section 7.13	No Free Services	49
Section 7.14	Insurance and Construction Bonds	49
Section 7.15	Mandatory Connections	50
Section 7.16	Completion of Project	51
Section 7.17	Statutory Mortgage Lien	51

ARTICLE VIII - INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01	Investments	52
Section 8.02	Restrictions as to Arbitrage Bonds	52

ARTICLE IX - DEFAULT AND REMEDIES

Section 9.01	Events of Default	53
Section 9.02	Remedies	53
Section 9.03	Appointment of Receiver	53

ARTICLE X - DEFEASANCE

Section 10.01	Defeasance of Series 1986 A Bonds	56
Section 10.02	Defeasance of Series 1986 B Bonds	57

ARTICLE XI - MISCELLANEOUS

Section 11.01	Amendment or Modification of Bond Legislation	58
Section 11.02	Bond Legislation Constitutes Contract	58
Section 11.03	Severability of Invalid Provisions	58
Section 11.04	Headings, Etc.	58
Section 11.05	Amendments to Maintain Tax Exemption	58
Section 11.06	Conflicting Provisions Repealed	59
Section 11.07	Covenant of Due Procedure, Etc.	59
Section 11.08	Public Notice of Proposed Financing	59
Section 11.09	Effective Date	60

SIGNATURES	60
CERTIFICATION	61
EXHIBIT A	62

06/03/86
KIMI2-B

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 A AND NOT MORE THAN $100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer has undertaken the acquisition and construction of public sewage collection and transportation facilities (the "Project") which constitute properties for the collection of liquid or solid wastes, sewage or industrial wastes

(the Project, and any additions thereto or extensions thereof is herein called the "System") at an estimated cost of $5,656,378, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Issuer.

C. The Issuer has heretofore issued its Sewerage System Construction Notes, Series 1983, dated December 15, 1983 (the "Notes"), in the aggregate principal amount of $2,875,000 pursuant to a bond and notes resolution adopted November 29, 1983, a supplemental resolution adopted November 29, 1983, and a second supplemental and amendatory resolution adopted December 21, 1983 (collectively, the "Prior Resolution"), to finance costs of construction and acquisition of the Project pending receipt of certain grant moneys and issuance of the within-described Bonds. The Issuer has encountered construction difficulties with respect to the Project and has not received certain EPA Grant proceeds as quickly and in the amounts as anticipated which requires that the Issuer borrow the sum of not to exceed $1,200,000 to finance that portion of the Issuer's local share of the Costs of the Project, in addition to the amount necessary to pay that portion of the principal of the Notes not payable from Grant Receipts, investment earnings and other sources.

D. The estimated revenues to be derived in each year after the enactment hereof 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 Bonds (as hereinafter defined) and all Sinking Fund, Reserve Account and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than $1,200,000 in two series, being the Series 1986 A Bonds in the aggregate principal amount of not more than $1,100,000 and the Series 1986 B Bonds in the aggregate principal amount of not more than $100,000 (collectively, the "Bonds"), to pay, at the maturity thereof, a portion of the Notes representing the "local share" of the Issuer of the Costs, additional Costs not otherwise provided for and costs of issuance of the Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes and the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; engineering, and legal expenses; expenses for estimates of cost 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incident to the financing herein authorized, the construction or acquisition 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 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

G. The Issuer has heretofore entered into a loan agreement dated March 25, 1985, between the Issuer and the Authority, whereby the Authority had agreed, subject to the conditions stated therein, to loan to the Issuer a sum not to exceed $873,000. However, because of the need for local share funding in excess of that approved in such loan agreement, the Issuer hereby determines that it is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a new loan agreement and a supplemental loan agreement, both dated May 15, 1986 (collectively, the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority. The Loan Agreement shall supercede the previous loan agreement which shall be of no further force or effect.

H. Upon deposit of proceeds of the Bonds as described herein, there will not be outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien and source of and security for payment. The Series 1986 B Bonds shall be junior and subordinate to the Series 1986 A Bonds, as set forth herein.

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

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

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

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

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

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

"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 Original Bonds and any bonds on a parity therewith authorized to be issued hereunder.

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

"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 Bernard G. Sampson Company, Inc., Fairmont, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

"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" means the public service board of the Issuer, consisting of 3 members, as may hereafter be constituted.

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

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of the Notes; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined,

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture between the Issuer and the Trustee dated as of December 15, 1983, relating to the Notes and all supplements or amendments thereto.

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

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

"Loan Agreement" shall mean, collectively, the loan agreement and the supplemental loan agreement, both dated May 15, 1986, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized by, this Resolution.

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

"Notes" means the $2,875,000 in aggregate principal amount of Sewerage System Construction Notes, Series 1983, heretofore issued by the Issuer to pay Costs of Project pending receipt of the Grant Receipts and proceeds of the Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses

of the Authority, fiscal agents, the Registrar and Paying Agent (all as hereinafter 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.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $1,008,657 in aggregate principal amount of Series 1986 A Bonds and not more than $81,343 in aggregate principal amount of Series 1986 B Bonds, issued for the purpose of paying a portion of the principal of the Notes, additional Costs of the Project and for such other purposes permitted hereby and authorized by the Bond Legislation.

"Other Grants" means collectively, the WDA Grant, together with any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being 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, with interest to the date of maturity, shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of a sewage collection and transportation system, including, but not limited to, mains, pipelines, tanks and pumps and all necessary appurtenances.

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

(a) Government Obligations;

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

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

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

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

always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended, provided that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments described in paragraphs (a) through (g), above.

"Registered Owner," "Bondholder," "Holder" or any similar term means whenever used herein with respect to an outstanding Bond or Bonds, 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 Section 5.01 hereof.

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

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

"Series 1986 A Bonds" or "Series A Bonds" means the not more than $1,008,657 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 A, of the Issuer.

"Series 1986 A Bonds Reserve Account" means the Series 1986 A Bonds Reserve Account established in the Series 1986 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1986 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 1986 A Bonds in any Fiscal Year.

"Series 1986 A Bonds Sinking Fund" means the Series 1986 A Sinking Fund established by Section 5.02 hereof.

"Series 1986 B Bonds" or "Series B Bonds" means the not more than $81,343 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 B, of the Issuer.

"Series 1986 B Bonds Reserve Account" means the Series 1986 B Bonds Reserve Account established in the Series 1986 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1986 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1986 B Bonds in any Fiscal Year.

"Series 1986 B Bonds Sinking Fund" means the Series 1986 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Original 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, including the Renewal and Replacement Fund and the Reserve Account.

"System" means the complete properties of the Issuer for the collection and transportion of liquid or solid wastes, sewage or industrial wastes, in its entirety or any integral part thereof, and shall include the existing facilities, the Project and any further additions, betterments and improvements thereto hereafter constructed or acquired for said system from any sources whatsoever.

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

"Trustee" means the trustee named in the Indenture.

"WDA Grant" means the grant from the West Virginia Water Development Authority pursuant to the commitment therefor.

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

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby ratified the construction and acquisition of the Project, at an estimated cost of $5,656,378, 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 Bonds hereby authorized shall be applied as provided in Article VI 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 purpose of paying a portion of the Notes at their maturity, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $1,200,000. Said Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1986 A," in the aggregate principal amount of not more than $1,100,000, and "Sewer Revenue Bonds, Series 1986 B," in the aggregate principal amount of not more than $100,000, the exact amount of each Series to be set forth in the Supplemental Resolution, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Proceeds of the Bonds remaining after capitalization of interest, if any, and payment of the costs of issuance thereof and related costs shall, to the extent necessary to defease the Notes, be deposited in the Notes Debt Service Fund established by Section 4.01 of the Indenture, and thereafter, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding 12% per annum, or such other rate as shall then be the legal maximum, payable semiannually 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. The Bonds shall be payable as to principal at the office of the Commission, through a Paying Agent or Paying Agents, if any, selected by the original purchaser or purchasers thereof, 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 Bonds 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 Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series 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, may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. The registered Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

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

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any 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 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in

accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

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

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In any case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the 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 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Series 1986 B Bonds to be Junior and Subordinate to Series 1986 A Bonds. The payment of the debt service of all the Series 1986 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The payment of the debt service of all the Series 1986 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of the Series 1986 A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the respective Sinking Funds and the Reserve Accounts therein hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Series 1986 A Bonds and the Series 1986 B Bonds, respectively, shall be in substantially the following forms, 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 1986 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1986 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion County of said State, (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1986. 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"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with the Loan Agreement between the Issuer and the Authority, dated June 12, 1986.

This Bond is issued (i) to refund and pay a portion of the Sewerage System Construction Notes, Series 1983, of the Issuer (the

"Notes") issue to finance part of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June, 1986 (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 security provided for the Bonds under the Bond Legislation.

This Bond is issued contemporaneously with the Sewer Revenue Bonds, Series 1986 B, of the Issuer (the "Series 1986 B Bonds") issued in the aggregate principal amount of $_____, which Series 1986 B Bonds are junior and subordinate with respect to lien and sources of and security for payment to the Bonds of this series (the "Bonds").

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

provided however, that so long as there exists in the Series 1986 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year, and in the reserve account established for the Series 1986 B Bonds or any other obligations outstanding prior to or on a parity with the Bonds or Series 1986 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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 Notes and 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1986.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____

KANAWHA VALLEY BANK, N.A.,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

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

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1986 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1986 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion County of said State, (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and upon the terms and conditions prescribed by and otherwise in compliance with the Supplemental Loan Agreement between the Issuer and the Authority, dated June 12, 1986.

This Bond is issued (i) to refund and pay a portion of the Sewerage System Construction Notes, Series 1983, of the Issuer (the "Notes") issued to finance part of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June,

1986 (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 security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1986 A Bonds herein described, moneys in the Reserve Account created under the Bond Legislation for the Bonds of this Series (the "Series 1986 B Bonds Reserve Account"), and unexpended proceeds of the Bonds of this Series (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, except from said special fund provided from the Net Revenues, the moneys in the Series 1986 B Bonds Reserve Account and unexpended Bond proceeds. 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 fiscal year equal to at least 115% of the amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the 1986 Series A Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the 1986 Series A Bonds or the Bonds, provided however, that so long as there exists in the Series 1986 B Bonds Reserve Account and the reserve account established for the Series A Bonds, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the 1986 Series B Bonds in any fiscal year and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books of Kanawha Valley Bank, N.A., 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as 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 Notes and 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 owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1986 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1986 A, OF THE ISSUER (THE "SERIES 1986 A BONDS"), ISSUED CONCURRENTLY HEREWITH AND DESCRIBED IN THE BOND LEGISLATION.

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 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1986.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____

KANAWHA VALLEY BANK, N.A.,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Execution of Loan Agreement with Authority. The Original 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 forms attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with and shall be held by, the Depository Bank:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1986 A Bonds Sinking Fund;

Within the Series 1986 A Bonds Sinking Fund, the Series 1986 A Bonds Reserve Account.

(2) Series 1986 B Bonds Sinking Fund;

Within the Series 1986 B Bonds Sinking Fund the Series 1986 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 Issuer shall first, each month, pay from the Revenue Fund the current Operating Expenses of the System.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1986 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1986 A Bonds on the next ensuing

semiannual interest payment date, less any earnings transferred from the Series 1986 A Bonds Reserve Account for the purpose of making interest payments and investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making interest payments on the Series 1986 A Bonds; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1986 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1986 A Bonds on the next ensuing principal payment date, less any earnings transferred from the Series 1986 A Bonds Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 A Bonds; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1986 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1986 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 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 1986 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments credited to the Series 1986 A 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 deficiency in the Series 1986 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1986 B Bonds on the next ensuing principal payment date, less any earnings transferred from the Series 1986 B Bonds Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Series 1986 B Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 B Bonds.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1986 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1986 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 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 1986 B Bonds Reserve Requirement.

Moneys in the Series 1986 A Bonds Sinking Fund and the Series 1986 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1986 A Bonds Reserve Account and the Series 1986 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1986 A Bonds Reserve Account and the Series 1986 B Bonds Reserve Account shall be transferred, not less than once each year, to the respective Sinking Fund and applied in full to the next ensuing principal payment due on the respective Series of Bonds.

Any withdrawals from the Series 1986 A Bonds Reserve Account which result in a reduction in the balance of the Series 1986 A Bonds Reserve Account to below the Series 1986 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1986 A Bonds Sinking Fund for payment of debt service on the Bonds have been made in full.

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

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

The Issuer shall not be required to make any further payments into the several Sinking Funds or into the Reserve Accounts therein when the aggregate amount of funds in all such Sinking Funds and said Reserve Accounts are at least equal to the aggregate principal amount of and interest due to maturity on the respective Bonds then Outstanding.

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

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

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding 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, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein, and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Paying Agent or the Depository Bank, on such dates as the Commission, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be

necessary to pay the Depository Bank's charges and the Paying Agent 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.

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.

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and, following completion of the Project shall be deposited in the Revenue Fund and may be used for any lawful purpose.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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

A. The amount of proceeds, which together with other moneys in the Notes Debt Service Fund established pursuant to the Indenture, is sufficient to pay the entire principal amount of and interest accrued on the Notes at the maturity thereof shall first be deposited with the Trustee in said Notes Debt Service Fund.

B. The remaining moneys, if any, derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

C. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Bond Construction Trust Fund, except for the costs of issuance thereof which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond 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 Bond 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 Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in qualified investments at the 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 Bond Construction Trust Fund to the Series A Bonds Reserve Account.

ARTICLE VII

COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the 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 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1986 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 and payment of the debt service of the Series 1986 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the Holders of the Series 1986 A Bonds, all to the extent necessary to make the payments required under Section 5.03 of this Resolution. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the attendant Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided therein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the 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 in the Order of the

Public Service Commission of West Virginia entered November 8, 1983 (Case No. 83-342-S-CM).

Section 7.05. Sale of the System. 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 Outstanding, or to effectively defease this Resolution in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds established therefor, and, 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 about to mature. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at

prices not greater than the par value thereof plus 3% of such par value or otherwise, shall be deposited in the Renewal and Replacement Fund. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all the Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the 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 Bonds; provided, however, that additional Bonds on a parity with the Series 1986 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to both the Series 1986 A Bonds and the Series 1986 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the

issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued which shall be payable out of the revenues of the System prior to or on a parity with the Series 1986 A Bonds. All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1986 B Bonds.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the 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:

(A) The Bonds then Outstanding;

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

(C) The Parity Bonds then proposed to be issued; and

(D) Any other obligations secured by or payable from the Net Revenues prior to the Series B Bonds.

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 enacted 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 Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All such Parity Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Parity Bond of one series over any other Parity 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 semiannual 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 liens of the Series 1986 A Bonds and the Series 1986 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 either the Series 1986 A Bonds or the Series 1986 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 with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds respectively on parity with the Series A Bonds and the Series B Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted on the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07.

Section 7.08. Books and Records. 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 Consulting Engineers, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

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

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

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

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 file said report with the Authority, or any other original purchaser of the Bonds.

Section 7.09. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchasers thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other Gross Revenues, (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit in the respective Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other

obligations secured by or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. 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 expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 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 and all resolutions authorizing increased expenditures for operation and maintenance to the Authority 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 and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with the System.

Section 7.12. 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 and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent 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 and facilities of the System and any services and facilities of the water system, if then owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of either system until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid.

Section 7.13. 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 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily carried with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(A) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also

carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(B) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $100,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project.

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods

approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 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 7.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.17. Statutory Mortgage Lien. For the further protection of the Holders of the 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 Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1986 A Bonds shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds.

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 or the Indenture, 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 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 (except for transfers permitted hereunder), 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. 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.

Section 8.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Bond Commission and the Trustee that they shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code (or any successor provision), and an Authorized Officer shall deliver his certificate, based upon this covenant, with regard thereto to the purchaser of the Original Bonds.

ARTICLE IX

DEFAULT AND REMEDIES

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

(A) If default occurs in the due and punctual payment of the principal of or interest on any 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 Bonds set forth in this Bond Legislation, any supplemental resolution, or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder of a Bond; or

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Holders of the Series 1986 B Bonds shall be subject to those of the Holders of the Series 1986 A Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act,

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

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

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

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the

Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the 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 1986 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 1986 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 with respect to the Series A Bonds only, 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 1986 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of and interest on such Series 1986 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 1986 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 1986 A Bonds on and prior to 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 1986 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 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.

Section 10.02. Defeasance of Series 1986 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 1986 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series B Bonds only, 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 1986 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of such Series 1986 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 1986 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 said Series 1986 B Bonds on and prior to 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 said Series 1986 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 said Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the 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. 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 Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Bonds so affected and then Outstanding; 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 Registered Owners of the 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 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. Amendments to Maintain Tax Exemption. The Issuer hereby covenants to make any amendment or supplements to this Resolution to enable the interest on the Bonds to be and remain exempt from federal income taxation, and to preserve and maintain such tax exemption until the maturity or redemption thereof without further consent of the Holders of the Bonds.

Section 11.06. Conflicting Provisions Repealed. All orders, indentures, or resolutions and or parts thereof in conflict

with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 11.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the 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 11.08. Public Notice of Proposed Financing. Prior to 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 Kingmill Valley Public Service District, a Class II legal advertisement stating:

> (a) The respective maximum amounts of the Bonds to be issued;
>
> (b) The respective maximum interest rates and terms of the Bonds originally authorized hereby;
>
> (c) The Project to be acquired or constructed and the cost of the same;
>
> (d) The anticipated rates which will be charged by the Issuer; and
>
> (e) The fact that a form is available in the office of the Clerk of The County Commission of Marion County and in the office of the Issuer for residents of that portion of the District which will be served by the Project who are registered voters to sign indicating their opposition to the Issuer's borrowing money or issuing the Bonds or the Notes originally authorized hereby, as the case may be. The Secretary of the Governing Body shall cause such form to be provided to said county clerk.

The Secretary of the Governing Body shall have also caused to be posted in conspicuous places throughout that portion of Kingmill Valley Public Service District which will be served by the

Project signs measuring not less than 8 1/2 inches in width and 11 inches in length which include the same information as required in the Class II legal advertisement set forth above.

Section 11.09. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 10th day of June, 1986.

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of Kingmill Valley Public Service District on this 10th day of June, 1986.

[SEAL]

Secretary, Public Service Board

06/03/86
KIMI2-A

"EXHIBIT A"

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1986 A and Series 1986 B

SUPPLEMENTAL BOND RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1986 A AND SERIES 1986 B, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the public service board (the "Governing Body") of KINGMILL VALLEY PUBLIC SERVICE DISTRICT (the "Issuer") has duly and officially adopted a resolution, effective June 10, 1986 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 A AND NOT MORE THAN $100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount of not to exceed $1,200,000, to be issued in two series, the Series 1986 A Bonds to be in an aggregate principal

amount of not more than $1,100,000 (the "Series 1986 A Bonds") and the Series 1986 B Bonds to be in an aggregate principal amount of not more than $100,000 (the "Series 1986 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series A Bonds dated May 15, 1986, and a supplemental loan agreement relating to the Series B Bonds dated May 15, 1986 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, 1931, as amended, Chapter 16, Article 13A (the "Act"); and in the Bond Resolution, it is provided that the maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental bond resolution (the "Supplemental Bond Resolution") be adopted and that the Loan Agreement be entered into by the Issuer, that the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Bond Resolution is adopted and there are hereby authorized and ordered to be issued:

(A) The Sewer Revenue Bonds, Series 1986 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,008,657. The Series 1986 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall bear interest at the rate of 9.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1986, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise as provided in and otherwise in

compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1986 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $81,343. The Series 1986 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve and accept the Loan Agreement copies of which are 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 ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement dated as of June 12, 1986, by and between the Issuer and Kanawha Valley Bank, N.A., in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint Community Bank and Trust, N.A., Fairmont, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. These shall be no interest capitalized on the Bonds.

Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about June 12, 1986, to the Authority pursuant to the Loan Agreement.

Section 9. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 10. This Supplemental Bond Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of June, 1986.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Chairman

Secretary

06/03/86
KIMI1-C

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1986 A and Series 1986 B

SUPPLEMENTAL BOND RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1986 A AND SERIES 1986 B, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the public service board (the "Governing Body") of KINGMILL VALLEY PUBLIC SERVICE DISTRICT (the "Issuer") has duly and officially adopted a resolution, effective June 10, 1986 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 A AND NOT MORE THAN $100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount of not to exceed $1,200,000, to be issued in two series, the Series 1986 A Bonds to be in an aggregate principal

amount of not more than $1,100,000 (the "Series 1986 A Bonds") and the Series 1986 B Bonds to be in an aggregate principal amount of not more than $100,000 (the "Series 1986 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series A Bonds dated May 15, 1986, and a supplemental loan agreement relating to the Series B Bonds dated May 15, 1986 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, 1931, as amended, Chapter 16, Article 13A (the "Act"); and in the Bond Resolution, it is provided that the maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental bond resolution (the "Supplemental Bond Resolution") be adopted and that the Loan Agreement be entered into by the Issuer, that the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Bond Resolution is adopted and there are hereby authorized and ordered to be issued:

(A) The Sewer Revenue Bonds, Series 1986 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,008,657. The Series 1986 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall bear interest at the rate of 9.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1986, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise as provided in and otherwise in

compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1986 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $81,343. The Series 1986 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve and accept the Loan Agreement copies of which are 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 ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement dated as of June 12, 1986, by and between the Issuer and Kanawha Valley Bank, N.A., in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint Community Bank and Trust, N.A., Fairmont, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. These shall be no interest capitalized on the Bonds.

Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about June 12, 1986, to the Authority pursuant to the Loan Agreement.

Section 9. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 10. This Supplemental Bond Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of June, 1986.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Chairman

Secretary

06/03/86
KIMI1-C

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1986 B

No. BR-1 $81,343

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion County of said State, (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority") or registered assigns the sum of EIGHTY-ONE THOUSAND THREE HUNDRED FORTY-THREE DOLLARS ($81,343), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and upon the terms and conditions prescribed by and otherwise in compliance with the Supplemental Loan Agreement between the Issuer and the Authority, dated May 15, 1986.

This Bond is issued (i) to pay certain additional costs of acquisition and construction of new sewage collection and transportion facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June,

1986 (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 security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1986 A Bonds herein described, moneys in the Reserve Account created under the Bond Legislation for the Bonds of this Series (the "Series 1986 B Bonds Reserve Account"), and unexpended proceeds of the Bonds of this Series (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, except from said special fund provided from the Net Revenues, the moneys in the Series 1986 B Bonds Reserve Account and unexpended Bond proceeds. 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 fiscal year equal to at least 115% of the amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the 1986 Series A Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the 1986 Series A Bonds or the Bonds, provided however, that so long as there exists in the Series 1986 B Bonds Reserve Account and the reserve account established for the Series A Bonds, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1986 Series A Bonds in any fiscal year and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books of Kanawha Valley Bank, N.A., 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as 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 Notes and 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 owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1986 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1986 A, OF THE ISSUER (THE "SERIES 1986 A BONDS"), ISSUED CONCURRENTLY HEREWITH AND DESCRIBED IN THE BOND LEGISLATION.

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 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated June 12, 1986.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____

KANAWHA VALLEY BANK, N.A.,
as Registrar

By _____
Its Authorized Officer

TABLE III

KINGMILL VALLEY PSD
Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	Zero Coupon Bonds
1986	0.00
1987	2,086.02
1988	2,085.71
1989	2,085.71
1990	2,085.71
1991	2,085.71
1992	2,085.71
1993	2,085.71
1994	2,085.71
1995	2,085.71
1996	2,085.71
1997	2,085.71
1998	2,085.71
1999	2,085.71
2000	2,085.71
2001	2,085.71
2002	2,085.71
2003	2,085.71
2004	2,085.71
2005	2,085.71
2006	2,085.71
2007	2,085.71
2008	2,085.71
2009	2,085.71
2010	2,085.71
2011	2,085.71
2012	2,085.71
2013	2,085.71
2014	2,085.71
2015	2,085.71
2016	2,085.71
2017	2,085.71
2018	2,085.71
2019	2,085.71
2020	2,085.71
2021	2,085.71
2022	2,085.71
2023	2,085.71
2024	2,085.71
2025	2,085.71
	81,343.00

Smith Barney, Harris Upham & Co.
Incorporated

June 10, 1986

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

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

Dated: _____, _____.

_____

In the presence of:

_____

07/10/86
KIMI2-E

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 1999 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Authority for this Resolution	1
Section 1.02	Findings	1
Section 1.03	Bond Legislation Constitutes Contract	3
Section 1.04	Definitions	4
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT		
Section 2.01	Authorization of Acquisition and Construction of the Project	12
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT		
Section 3.01	Authorization of Bonds	13
Section 3.02	Terms of Bonds	13
Section 3.03	Execution of Bonds	14
Section 3.04	Authentication and Registration	14
Section 3.05	Negotiability, Transfer and Registration	14
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	15
Section 3.07	Bonds not to be Indebtedness of the Issuer	15
Section 3.08	Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds	15
Section 3.09	Delivery of Bonds	16
Section 3.10	Form of Bonds	16

	FORM OF BOND	17
Section 3.11	Sale of Bonds; Approval and Ratification of Execution of Loan Agreement	25
Section 3.12	"Amended Schedule A" Filing	25

ARTICLE IV
[RESERVED] 26

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	27
Section 5.02	Establishment of Funds and Accounts with Commission	27
Section 5.03	System Revenues; Flow of Funds	28

ARTICLE VI
BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01	Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds	33
Section 6.02	Disbursements From the Bond Construction Trust Fund	33

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	35
Section 7.02	Bonds not to be Indebtedness of the Issuer	35
Section 7.03	Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds	35
Section 7.04	Initial Schedule of Rates and Charges	35
Section 7.05	Sale of the System	35
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	37
Section 7.07	Parity Bonds	37
Section 7.08	Books; Records and Audit	39
Section 7.09	Rates	41
Section 7.10	Operating Budget and Monthly Financial Report	41
Section 7.11	Engineering Services and Operating Personnel	42
Section 7.12	No Competing Franchise	42
Section 7.13	Enforcement of Collections	42
Section 7.14	No Free Services	43

Section 7.15	Insurance and Construction Bonds	43
Section 7.16	Mandatory Connections	45
Section 7.17	Completion and Operation of Project; Permits and Orders	45
Section 7.18	Tax Covenants	45
Section 7.19	Statutory Mortgage Lien	46
Section 7.20	Compliance with Loan Agreement and Law	47
Section 7.21	Securities Laws Compliance	47

ARTICLE VIII
INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01	Investments	48
Section 8.02	Arbitrage and Tax Exemption	48
Section 8.03	Tax Certificate and Rebate	49

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	Events of Default	51
Section 9.02	Remedies	51
Section 9.03	Appointment of Receiver	51

ARTICLE X
DEFEASANCE

Section 10.01	Defeasance of Bonds	54

ARTICLE XI
MISCELLANEOUS

Section 11.01	Amendment or Modification of Bond Legislation	55
Section 11.02	Bond Legislation Constitutes Contract	55
Section 11.03	Severability of Invalid Provisions	55
Section 11.04	Headings, Etc.	55
Section 11.05	Conflicting Provisions Repealed	55
Section 11.06	Covenant of Due Procedure, Etc.	56
Section 11.07	Public Notice of Proposed Financing	56
Section 11.08	Effective Date	57
	SIGNATURES	57
	CERTIFICATION	58
	EXHIBIT A	59

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $183,200 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants

of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public sewerage facilities of the Issuer, consisting of improvements to correct sources of inflow and infiltration and upgrading the Airport, Chip Lane and Bentons Ferry lift stations, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection and transportation of liquid or solid wastes, sewage or industrial wastes (the existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The 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 costs of operation and maintenance of the System and the principal of and interest on the Series 1999 A Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), in the total aggregate principal amount of not more than $183,200 (the "Series 1999 A Bonds"), to permanently finance the costs of acquisition and construction of the Project. 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 1999 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (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 1999 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 1999 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Series 1999 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement to be entered into

between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by supplemental resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to the Series 1999 A Bonds as to liens, pledge and source of and security for payment, being the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, issued in the original aggregate principal amount of $1,008,657 (the "Series 1986 A Bonds"), and the Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, issued in the original aggregate principal amount of $81,343 (the "Series 1986 B Bonds") (collectively, the "Prior Bonds").

The Series 1999 A Bonds shall be issued on a parity with the Series 1986 A Bonds, and senior and prior to the Series 1986 B Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 1999 A Bonds, the Issuer will obtain (1) a certificate of an Independent Certified Public Accountant stating that the parity test of the Series 1986 A Bonds has been met, (2) the consent of the Holders of the Series 1986 A Bonds to the issuance of the Series 1999 A Bonds on a parity with the Series 1986 A Bonds, and (3) the consent of the Holders of the Series 1986 B Bonds to the issuance of the Series 1999 A Bonds on a senior and prior basis to the Series 1986 B Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolution.

H. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 1999 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1999 A Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1999 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 1999 A Bonds, all which shall be of

equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1999 A Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

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

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

"Bonds" means, collectively, the Series 1999 A Bonds, the Prior Bonds, and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

"Closing Date" means the date upon which there is an exchange of the Series 1999 A Bonds for the proceeds representing the purchase price of the Series 1999 A Bonds from the Authority.

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

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

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

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

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

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

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

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

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

"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 Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means Kingmill Valley Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Marion County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the Loan Agreement to be entered into between the Authority and the Issuer, providing for the purchase of the Series 1999 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1999 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1999 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1999 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1999 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 1999 A Bonds.

"Notes" means the Notes described in Section 1.02G hereof.

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

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 1999 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1986 A Bonds and the Series 1986 B Bonds.

"Prior Resolution" means, collectively, the bond resolution of the Issuer duly adopted June 10, 1986, as supplemented by the supplemental resolution of the Issuer duly adopted June 10, 1986, authorizing the Prior Bonds.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Resolution.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 1999 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any reserve account for the Series 1999 A Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund established by the Prior Resolution.

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

"Series 1986 A Bonds" means the Sewer Revenue Bonds, Series 1986 A, of the Issuer as described in Section 1.02G hereof.

"Series 1986 B Bonds" means the Sewer Revenue Bonds, Series 1986 B, of the Issuer as described in Section 1.02G hereof.

"Series 1999 A Bonds" means the Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), of the Issuer, authorized by this Resolution.

"Series 1999 A Bonds Reserve Account" means the Series 1999 A Bonds Reserve Account established in the Series 1999 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1999 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 1999 A Bonds in the then current or any succeeding year.

"Series 1999 A Bonds Sinking Fund" means the Series 1999 A Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 1999 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1999 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 Series 1999 A Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the respective Reserve Accounts.

"System" means the complete properties of the Issuer for the collection and transportation of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $183,200, 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 1999 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority.

The cost of the Project is estimated to be $183,200, which will be obtained from proceeds of the Series 1999 A Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1999 A Bonds, funding a reserve account for the Series 1999 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1999 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1999 A Bonds of the Issuer. The Series 1999 A Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority)," in the principal amount of not more than $183,200, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1999 A Bonds, remaining after funding of the Series 1999 A Bonds Reserve Account (if funded from Bond proceeds), and capitalizing interest on the Series 1999 A Bonds, shall be deposited in or credited to the Bond 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 1999 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually 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. The Series 1999 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 1999 A Bonds 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 1999 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of the Series 1999 A Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1999 A Bonds shall be exchangeable at the option and expense of the Holder for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 1999 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1999 A Bonds shall cease to be such officer of the Issuer before the Series 1999 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 1999 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 1999 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 1999 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 1999 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1999 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 Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1999 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be 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 1999 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 1999 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1999 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of all the Series 1999 A Bonds shall

be secured by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Series 1986 A Bonds and senior and prior to the lien on such Net Revenues in favor of the Holders of the Series 1986 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 1999 A Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1999 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1999 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 1999 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 1999 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 1999 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 1999 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1999 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, ____. 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"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 199___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities

of the Issuer (the "Project"); (ii) [to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv)] to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1986 A, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,008,657 (THE "SERIES 1986 A BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE ISSUER'S SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"). THE SERIES 1986 A BONDS AND THE SERIES 1986 B BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on parity with the pledge of Net Revenues in favor of the holders of the Series 1986 A Bonds and senior and prior to the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1999 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 shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the

use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 1999 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 on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such 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 do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, KINGMILL VALLEY 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 _____, _____.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 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: _____, _____.

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

_____
Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1999 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule A" Filing. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (established by the Prior Resolution);

(2) Renewal and Replacement Fund (established by the Prior Resolution);

(3) Bond Construction Trust Fund; and

(4) Rebate Fund.

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

(1) Series 1986 A Bonds Sinking Fund (established by the Prior Resolution);

(2) Within the Series 1986 A Bonds Sinking Fund, the Series 1986 A Bonds Reserve Account (established by the Prior Resolution);

(3) Series 1986 B Bonds Sinking Fund (established by the Prior Resolution);

(4) Within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account (established by the Prior Resolution);

(5) Series 1999 A Bonds Sinking Fund; and

(6) Within the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account.

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

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1986 A Bonds Sinking Fund, the amount required by the Prior Resolution to pay the interest on the Series 1986 A Bonds; and (ii) commencing 7 months prior to the first date of payment of interest on the Series 1999 A Bonds for which interest has not been capitalized or as required in the Loan Agreement, for deposit in the Series 1999 A Bonds Sinking Fund, an amount equal to 1/6th of the amount of interest which will become due on the Series 1999 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1999 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1986 A Bonds Sinking Fund, the amount required by the Prior Resolution to pay the principal of the Series 1986 A Bonds; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 1999 A Bonds, for deposit in the Series 1999 A Bonds Sinking Fund, an amount equal to 1/12th of the amount of principal which will mature and become due on the Series 1999 A Bonds on the next ensuing annual principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1999 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1986 A Bonds Reserve Account, the amount required by the Prior

Resolution to be deposited therein; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 1999 A Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 1999 A Bonds, for deposit in the Series 1999 A Bonds Reserve Account, an amount equal to 1/120th of the Series 1999 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1999 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 1999 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund (as previously set forth in the Prior Resolution and not in addition thereto) 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.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Sinking Fund, the amount required by the Prior Resolution to pay the principal of the Series 1986 B Bonds.

(7) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Reserve Account, the amount required by the Prior Resolution to be deposited therein.

Moneys in the Series 1999 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1999 A Bonds as the same shall become due. Moneys in the Series 1999 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1999 A Bonds as the same shall come due, when other moneys in the Series 1999 A Bonds Sinking Fund are insufficient therefor, and for no other purpose, except for transfers to the Rebate Fund permitted hereunder.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 A Bonds Sinking Fund and the Series 1999 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond 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 due on the Series 1999 A Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund permitted hereunder, any withdrawals from the Series 1999 A Bonds Reserve Account which result in a reduction in the balance of the Series 1999 A Bonds Reserve Account to below the Series 1999 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 1999 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 an 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 1999 A Bonds Sinking Fund or the Series 1999 A Bonds Reserve Account therein when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 1999 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Interest, principal or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 1999 A Bonds and the Series 1986 A Bonds, and thereafter, the Series 1986 B Bonds, all in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1999 A Bonds Sinking Fund and the Series 1999 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. If required by the Authority at anytime, the

Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 1999 A Bonds Sinking Fund and the Series 1999 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund permitted hereunder, the Series 1999 A Bonds Sinking Fund and the Series 1999 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1999 A Bonds Outstanding under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 1999 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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

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

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

F. 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.

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 1999 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1999 A Bonds, there shall first be deposited with the Commission in the Series 1999 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1999 A Bonds for the period commencing on the date of issuance of the Series 1999 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 1999 A Bonds, there shall be deposited with the Commission in the Series 1999 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1999 A Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Series 1999 A Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

D. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the Rebate Fund permitted hereunder, moneys in the Bond 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 1999 A Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Series 1999 A Bonds which shall be made upon request of the Issuer) shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond 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 Bond 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 Bond 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, and all Costs of the Project have been paid, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1999 A Bonds Reserve Account, provided that, in no event shall more than 10% of the proceeds from the sale of the Series 1999 A Bonds be deposited in the Series 1999 A Bonds Reserve Account, and when such Reserve Account is fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payment due on the Series 1999 A Bonds and thereafter to the next ensuing principal payment due thereon.

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 1999 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 1999 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1999 A Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1999 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1999 A Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1999 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 1999 A Bonds shall be secured by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Series 1986 A Bonds and senior and prior to the lien on such Net Revenues in favor of the Holders of the Series 1986 B Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 1999 A Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered December 22, 1998, in Case No. 98-0509-PSD-CN, and such rates are hereby adopted.

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 Resolution and with the written consent of the Authority. Additionally, so long as the Series 1999 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially

as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the 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 Series 1999 A Bonds, immediately be remitted to the Commission for deposit in the Series 1999 A Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 1999 A Bonds. Any balance remaining after the payment of the Series 1999 A Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1999 A Bonds. All obligations issued by the Issuer after the issuance of the Series 1999 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 1999 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 1999 A Bonds, and the interest thereon, upon any or all of the income and revenues of the System pledged for payment of the Series 1999 A Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1999 A Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolution) and with the prior written consent of the Authority.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1999 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding the Series 1999 A Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting

Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 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 Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, 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 and the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1999 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1999 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 with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Parity Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of the Parity Bonds.

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

The Issuer shall permit the Authority, 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 shall 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, or any other original purchaser of the Series 1999 A Bonds, and shall mail in each year to any Holder or Holders of the Series 1999 A Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1999 A Bonds, and shall submit said report to the Authority, or any other original purchaser of the Series 1999 A Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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. Prior to the issuance of the Series 1999 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 1999 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 1999 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 1999 A Bonds Reserve Account and any reserve accounts for obligations on a parity with or junior to the Series 1999 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 1999 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 1999 A Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

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

annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and 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 shall obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority 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 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 Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

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

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer shall 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 shall 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 shall not render or cause to be rendered any free services of any nature by the System, nor shall any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

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

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost

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

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

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

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

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

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on

the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. 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 shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all Federal and state requirements and standards.

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

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1999 A Bonds are used for Private

Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1999 A Bonds during the term thereof is, under the terms of the Series 1999 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1999 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1999 A Bonds during the term thereof is, under the terms of the Series 1999 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1999 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1999 A Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1999 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1999 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer shall timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1999 A Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer shall take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1999 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1999 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 1999 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1986 A Bonds and senior to the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer shall comply with all the terms and conditions of the Act, the Loan Agreement 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 7.21. Securities Laws Compliance. The Issuer shall 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 except as otherwise provided herein with respect to the Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 1999 A Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest on the Series 1999 A Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1999 A Bonds which would cause the Series 1999 A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1999 A Bonds) so that the interest on the Series 1999 A Bonds will be and remain excluded from gross income for

federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 1999 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1999 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and shall be used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the

event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 1999 A Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1999 A Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority including information with respect to earnings on all funds constituting "gross proceeds" of the Series 1999 A Bonds (as such term "gross proceeds" is defined in the Code).

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 1999 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 1999 A Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1999 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1999 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

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

(4) If default occurs with respect to the Prior Bonds or the Prior 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 Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided that, all rights and remedies of the Holders of the Series 1999 A Bonds shall be on a parity with the Holders of the Series 1986 A Bonds and senior to the Holders of the Series 1986 B Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after

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

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

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

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of 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 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1999 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 1999 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1999 A Bonds from gross income for federal income tax purposes.

Series 1999 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 1999 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 1999 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 1999 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 1999 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 issuance of the Series 1999 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1999 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 rights of Registered Owners of the Series 1999 A Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Series 1999 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 pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1999 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 1999 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 1999 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution

and the Prior Resolution, the Prior Resolution shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

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

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

(a) The maximum amount of the Series 1999 A Bonds to be issued;

(b) The maximum interest rate and terms of the Series 1999 A Bonds authorized hereby;

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

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

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

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

Adopted this 14th day of June, 1999.

Chairman

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of KINGMILL VALLEY PUBLIC SERVICE DISTRICT on the 14th day of June, 1999.

Dated: June 15, 1999.

[SEAL]

Secretary

05/19/99
483960/99001

EXHIBIT A

Loan Agreement included in transcript as Document 3.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 1999 A
(West Virginia Water Development Authority)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING 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 REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Kingmill Valley Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective June 14, 1999 (the "Bond Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $183,200 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO

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

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

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), of the Issuer (the "Bonds" or the "Series 1999 A Bonds"), in an aggregate principal amount not to exceed $183,200, and has authorized the execution and delivery of a loan agreement relating to the Bonds (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF KINGMILL VALLEY 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 Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $183,200. The Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2038, and shall bear interest at the rate of 5.8% per annum, payable semiannually on April 1 and October 1 of each year, beginning October 1, 1999. The Bonds shall be payable in annual installments of principal on October 1 of each year, commencing October 1, 1999, and ending October 1, 2038, and in the amounts as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds.

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

Section 3. The Issuer does hereby authorize, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, in substantially the form attached hereto, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

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

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

Section 7. Series 1999 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1999 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1999 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1999 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 1999 A Bonds shall be deposited in the Bond Construction Trust Fund for payment of Costs of the Project, including, without limitation, costs of issuance of the Series 1999 A Bonds and related costs.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about June 15, 1999.

Section 11. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or in time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements and/or time accounts, until further directed by the Issuer. Moneys in the Series 1999 A Bonds Sinking Fund and the Series 1999 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

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

Adopted this 14th day of June, 1999.

Chairman

Member

Member

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of KINGMILL VALLEY PUBLIC SERVICE DISTRICT on the 14th day of June, 1999.

Dated: June 15, 1999.

[SEAL]

Secretary

06/14/99
483960/99001

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1999 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-1 $183,200

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE HUNDRED EIGHTY-THREE THOUSAND TWO HUNDRED DOLLARS ($183,200), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1999. 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"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated June 15, 1999.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities

of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on June 14, 1999, and a Supplemental Resolution duly adopted by the Issuer on June 14, 1999 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1986 A, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,008,657 (THE "SERIES 1986 A BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE ISSUER'S SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"). THE SERIES 1986 A BONDS AND THE SERIES 1986 B BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on parity with the pledge of Net Revenues in favor of the holders of the Series 1986 A Bonds and senior and prior to the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1999 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 shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and

maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 1999 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 on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such 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 do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, KINGMILL VALLEY 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 15, 1999.

[SEAL]

Betty V. Waggoner
Chairman

ATTEST:

William L Hennig
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 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 15, 1999.

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

Kingmill Valley PSD, WV

WDA Loan (Loan Program II, 1999 Series A) of $183,200
40 Years; 5.8% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/1999	1,245.00	5.800%	3,128.65	4,373.65
4/01/2000	-	-	5,276.70	5,276.70
10/01/2000	1,317.00	5.800%	5,276.70	6,593.70
4/01/2001	-	-	5,238.50	5,238.50
10/01/2001	1,393.00	5.800%	5,238.50	6,631.50
4/01/2002	-	-	5,198.11	5,198.11
10/01/2002	1,474.00	5.800%	5,198.11	6,672.11
4/01/2003	-	-	5,155.36	5,155.36
10/01/2003	1,559.00	5.800%	5,155.36	6,714.36
4/01/2004	-	-	5,110.15	5,110.15
10/01/2004	1,650.00	5.800%	5,110.15	6,760.15
4/01/2005	-	-	5,062.30	5,062.30
10/01/2005	1,746.00	5.800%	5,062.30	6,808.30
4/01/2006	-	-	5,011.66	5,011.66
10/01/2006	1,847.00	5.800%	5,011.66	6,858.66
4/01/2007	-	-	4,958.10	4,958.10
10/01/2007	1,954.00	5.800%	4,958.10	6,912.10
4/01/2008	-	-	4,901.44	4,901.44
10/01/2008	2,067.00	5.800%	4,901.44	6,968.44
4/01/2009	-	-	4,841.49	4,841.49
10/01/2009	2,187.00	5.800%	4,841.49	7,028.49
4/01/2010	-	-	4,778.07	4,778.07
10/01/2010	2,314.00	5.800%	4,778.07	7,092.07
4/01/2011	-	-	4,710.96	4,710.96
10/01/2011	2,448.00	5.800%	4,710.96	7,158.96
4/01/2012	-	-	4,639.97	4,639.97
10/01/2012	2,590.00	5.800%	4,639.97	7,229.97
4/01/2013	-	-	4,564.86	4,564.86
10/01/2013	2,741.00	5.800%	4,564.86	7,305.86
4/01/2014	-	-	4,485.37	4,485.37
10/01/2014	2,899.00	5.800%	4,485.37	7,384.37
4/01/2015	-	-	4,401.30	4,401.30
10/01/2015	3,068.00	5.800%	4,401.30	7,469.30
4/01/2016	-	-	4,312.33	4,312.33
10/01/2016	3,246.00	5.800%	4,312.33	7,558.33
4/01/2017	-	-	4,218.20	4,218.20
10/01/2017	3,434.00	5.800%	4,218.20	7,652.20
4/01/2018	-	-	4,118.61	4,118.61
10/01/2018	3,633.00	5.800%	4,118.61	7,751.61
4/01/2019	-	-	4,013.25	4,013.25
10/01/2019	3,844.00	5.800%	4,013.25	7,857.25
4/01/2020	-	-	3,901.78	3,901.78
10/01/2020	4,067.00	5.800%	3,901.78	7,968.78
4/01/2021	-	-	3,783.83	3,783.83
10/01/2021	4,302.00	5.800%	3,783.83	8,085.83
4/01/2022	-	-	3,659.08	3,659.08
10/01/2022	4,552.00	5.800%	3,659.08	8,211.08

Kingmill Valley PSD, WV

WDA Loan (Loan Program II, 1999 Series A) of $183,200
40 Years; 5.8% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
4/01/2023	-	-	3,527.07	3,527.07
10/01/2023	4,816.00	5.800%	3,527.07	8,343.07
4/01/2024	-	-	3,387.40	3,387.40
10/01/2024	5,095.00	5.800%	3,387.40	8,482.40
4/01/2025	-	-	3,239.65	3,239.65
10/01/2025	5,391.00	5.800%	3,239.65	8,630.65
4/01/2026	-	-	3,083.31	3,083.31
10/01/2026	5,704.00	5.800%	3,083.31	8,787.31
4/01/2027	-	-	2,917.89	2,917.89
10/01/2027	6,034.00	5.800%	2,917.89	8,951.89
4/01/2028	-	-	2,742.91	2,742.91
10/01/2028	6,384.00	5.800%	2,742.91	9,126.91
4/01/2029	-	-	2,557.77	2,557.77
10/01/2029	6,755.00	5.800%	2,557.77	9,312.77
4/01/2030	-	-	2,361.88	2,361.88
10/01/2030	7,146.00	5.800%	2,361.88	9,507.88
4/01/2031	-	-	2,154.64	2,154.64
10/01/2031	7,561.00	5.800%	2,154.64	9,715.64
4/01/2032	-	-	1,935.37	1,935.37
10/01/2032	7,999.00	5.800%	1,935.37	9,934.37
4/01/2033	-	-	1,703.40	1,703.40
10/01/2033	8,463.00	5.800%	1,703.40	10,166.40
4/01/2034	-	-	1,457.98	1,457.98
10/01/2034	8,954.00	5.800%	1,457.98	10,411.98
4/01/2035	-	-	1,198.31	1,198.31
10/01/2035	9,474.00	5.800%	1,198.31	10,672.31
4/01/2036	-	-	923.56	923.56
10/01/2036	10,023.00	5.800%	923.56	10,946.56
4/01/2037	-	-	632.90	632.90
10/01/2037	10,604.00	5.800%	632.90	11,236.90
4/01/2038	-	-	325.38	325.38
10/01/2038	11,220.00	5.800%	325.38	11,545.38
Total	**183,200.00**	**-**	**284,110.33**	**467,310.33**

Kingmill Valley PSD, WV

WDA Loan (Loan Program II, 1999 Series A) of $183,200
40 Years; 5.8% Interest Rate

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars	$4,898.45
Average Life	26.738 Years
Average Coupon	5.8000009%
Net Interest Cost (NIC)	5.8000009%
True Interest Cost (TIC)	5.8007785%
Bond Yield for Arbitrage Purposes	5.8007785%
All Inclusive Cost (AIC)	5.8007785%

IRS FORM 8038

Net Interest Cost	5.8000009%
Weighted Average Maturity	26.738 Years

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

SEWER REFUNDING REVENUE BONDS, SERIES 2001 A

BOND RESOLUTION

Table of Contents

RECITALS		1

ARTICLE I
DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01	Definitions	3
Section 1.02	Authority for this Resolution	12
Section 1.03	Findings	12
Section 1.04	Resolution Constitutes Contract	14

ARTICLE II
AUTHORIZATION OF REFUNDING

Section 2.01	Authorization of Refunding	15

ARTICLE III
THE BONDS

Section 3.01	Form and Payment of Bonds	16
Section 3.02	Execution of Bonds	16
Section 3.03	Authentication and Registration	17
Section 3.04	Negotiability and Registration	17
Section 3.05	Bonds Mutilated, Destroyed, Stolen or Lost	18
Section 3.06	Term Bonds	18
Section 3.07	Notice of Redemption	20
Section 3.08	Persons Treated as Owners	21
Section 3.09	Temporary Bonds	21
Section 3.10	Authorization of Bonds	21
Section 3.11	Book Entry System for Bonds	22

Section 3.12	Delivery of Bonds	24
Section 3.13	Form of Bonds	24
Section 3.14	Disposition of Proceeds of Bonds	24
Section 3.15	Designation of Bonds as "Qualified Tax-Exempt Obligations"	25

ARTICLE IV
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01	Establishment of Funds and Accounts with Depository Bank	27
Section 4.02	Establishment of Funds and Accounts with Bond Commission	27
Section 4.03	System Revenues and Application Thereof	28

ARTICLE V
INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01	Investments	33
Section 5.02	Arbitrage	34
Section 5.03	Tax Certificate and Rebate	34
Section 5.04	Continuing Disclosure Agreement	35

ARTICLE VI
ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01	Covenants Binding and Irrevocable	36
Section 6.02	Bonds not to be Indebtedness of the Issuer	36
Section 6.03	Bonds Secnred by Parity Pledge of Net Revenues and Moneys in Sinking Fund	36
Section 6.04	Rates	36
Section 6.05	Operation and Maintenance	37
Section 6.06	Sale of the System	37
Section 6.07	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	38
Section 6.08	Additional Parity Bonds and Subordinate Debt	39
Section 6.09	Insurance and Bonds	41
Section 6.10	No Free Services	42
Section 6.11	Enforcement of Collections	42
Section 6.12	No Competing Franchise	42

Section 6.13	Books and Records	43
Section 6.14	Operating Budget	43
Section 6.15	Mandatory Connections	44
Section 6.16	Statutory Mortgage Lien	44
Section 6.17	Tax Covenants	45
Section 6.18	Municipal Bond Insurance Policy	46
Section 6.19	Merger, Consolidation or Acquisition of Issuer	46

ARTICLE VII
DEFAULTS AND REMEDIES

Section 7.01	Events of Default	47
Section 7.02	Enforcement	47
Section 7.03	Appointment of Receiver	48
Section 7.04	Restoration of Issuer and Bondholder	49

ARTICLE VIII
REGISTRAR AND PAYING AGENT

Section 8.01	Appointment of Registrar	50
Section 8.02	Responsibilities of Registrar	50
Section 8.03	Evidence on Which Registrar May Act	50
Section 8.04	Compensation and Expenses	50
Section 8.05	Certain Permitted Acts	50
Section 8.06	Resignation of Registrar	51
Section 8.07	Removal	51
Section 8.08	Appointment of Successor	51
Section 8.09	Transfer of Rights and Property to Successor	52
Section 8.10	Merger or Consolidation	52
Section 8.11	Adoption of Authentication	52
Section 8.12	Paying Agent	52

ARTICLE IX
DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

Section 9.01	Defeasance; Discharge of Pledge of Resolution	54

ARTICLE X
MISCELLANEOUS

Section 10.01	Amendment of Resolution	55
Section 10.02	Evidence of Signatures of Bondholders and Ownership of Bonds	55
Section 10.03	Preservation and Inspection of Documents	56
Section 10.04	Cancellation of Bonds	56
Section 10.05	Failure to Present Bonds	56
Section 10.06	Notices, Demands and Requests	56
Section 10.07	No Personal Liability	57
Section 10.08	Law Applicable	58
Section 10.09	Parties Interested Herein	58
Section 10.10	Severability of Invalid Provisions	58
Section 10.11	Table of Contents and Headings	58
Section 10.12	Conflicting Provisions Repealed	58
Section 10.13	Covenant of Due Procedure, Etc.	58
Section 10.14	Effective Date	58
	SIGNATURES	59
	CERTIFICATION	60
	EXHIBIT A - BOND FORM	61

KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1986 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $1,300,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, Kingmill Valley Public Service District (the "Issuer") presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds, of which there are presently outstanding (i) the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, issued in the original aggregate principal amount of $1,008,657, of which $925,076 is presently outstanding (the "Series 1986 A Bonds"); (ii) Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, issued in the original aggregate principal amount of $81,343 (the "Series 1986 B Bonds"); and (iii) Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority) dated June 15, 1999, issued in the original aggregate principal amount of $183,200 (the "Series 1999 A Bonds").

WHEREAS, the Series 1986 A Bonds were issued pursuant to a resolution of the Issuer duly adopted on June 10, 1986, as supplemented by a resolution of the Issuer duly adopted on June 10, 1986 (collectively, the "1986 Resolution");

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any part of the outstanding Series 1986 A Bonds;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Series 1986 A Bonds;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Series 1986 A Bonds in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, Series 2001 A" (the "Series 2001 A Bonds"), in the maximum aggregate principal amount of not more than $1,300,000, and other moneys of the Issuer; and

WHEREAS, the Issuer now desires to authorize the refunding of the Series 1986 A Bonds as aforesaid, and to provide for the financing thereof by the issuance of the Series 2001 A Bonds as hereinafter provided;

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

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Resolution and not otherwise defined in the recitals or in the text hereof shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 2001 A Bonds.

"Authority" means the West Virginia Water Development Authority, the original purchaser of the Series 1986 A Bonds, the Series 1986 B Bonds and the Series 1999 A Bonds, or its successor.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer and Redemption Digest.

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

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

"Bond Counsel" shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

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

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"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, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2001 A Bonds, Series 1986 B Bonds, Series 1999 A Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2001 A Bonds, in substantially the form set forth in EXHIBIT A - BOND FORM hereto.

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

"Closing Date" means the date upon which there is an exchange of the Series 2001 A Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

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

"Consulting Engineers" means any qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, the costs of refunding the Series 1986 A Bonds (which amount shall reflect the Independent Certified Public Accountant's determination of the Redemption Price of the Series 1986 A Bonds), interest accruing or to accrue thereon, redemption premiums, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, expenses for fiscal or other agents, legal expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 2001 A Bonds and the refunding of the Series 1986 A Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means the Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2001 A Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

"Event of Default" means any occurrence or event specified in Section 7.01.

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

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

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

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

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

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

"Issuer" means Kingmill Valley Public Service District, a public service district and public corporation and political subdivision of the State of West Virginia, in Marion County of said State, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by a Bond Insurer simultaneously with the delivery of the Series 2001 A Bonds, insuring the payment of the principal of and interest on all or any of the Series 2001 A Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2001 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2001 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2001 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 2001 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2001 A Bonds.

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

"Original Purchaser" means Ferris, Baker Watts, Incorporated, Charleston, West Virginia, as the purchasers of the Series 2001 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2001 A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 2001 A Bonds directly from the Issuer, as determined by

a resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2001 A Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Issuer at the time of approval of such sale of said Series 2001 A Bonds.

"Outstanding," when used with reference to the Series 2001 A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as a Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or other entity designated as such for the Series 2001 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 hereof.

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

"Purchase Price," for the purpose of computation of the Yield of the Series 2001 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2001 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Series 2001 A Bonds of each maturity is sold or, if the Series 2001 A Bonds are privately placed, the price paid by the first buyer of the Series 2001 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2001 A Bonds for acquisition thereof, or if later, on the date

that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2001 A Bonds.

"Qualified Investments" means and includes any of the following, unless otherwise set forth in the Supplemental Resolution:

(a) Government Obligations;

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

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

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

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

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

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

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

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

"Record Date" means the day of the month which shall be so stated in the Series 2001 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of any Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which any Bonds of the Issuer may be called for redemption and includes the principal of and interest on such Bonds to be redeemed, plus the interest and premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2001 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the 1986 Resolution and continued hereby.

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

"1986 Resolution" means, collectively, the resolution and the supplemental resolution of the Issuer duly adopted June 10, 1986, authorizing the Series 1986 A Bonds and the Series 1986 B Bonds.

"1999 Resolution" means the resolution and the supplemental resolution of the Issuer duly adopted June 14, 1999, authorizing the Series 1999 A Bonds.

"Revenue Fund" means the Revenue Fund created by the 1986 Resolution and continued hereby.

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

"Series 1986 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, issued in the original aggregate principal amount of $1,008,657.

"Series 1986 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, issued in the original aggregate principal amount of $81,343.

"Series 1999 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1999 A, dated June 15, 1999, issued in the original aggregate principal amount of $183,200.

"Series 2001 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2001 A, of the Issuer, originally authorized to be issued pursuant to this Resolution.

"Series 2001 A Bonds Redemption Account" means the Series 2001 A Bonds Redemption Account created by Section 4.02 hereof.

"Series 2001 A Bonds Reserve Account" means the Series 2001 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 2001 A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 2001 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2001 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2001 A Bonds.

"Series 2001 A Bonds Sinking Fund" means the Series 2001 A Bonds Sinking Fund created by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution to be adopted by the Issuer following adoption of this Resolution, setting forth the final amounts, maturities, interest rates and other terms of the Series 2001 A Bonds and authorizing the sale of the Series 2001 A Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and any reserve accounts.

"System" means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa; and any requirement for execution or attestation of the Bond or any certificate or other document by the Chairman or the Secretary shall mean that such Bond, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

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.

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

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

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Governing Body hereby finds and determines as follows:

A. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia, in Marion County of said State.

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed in part by the proceeds of the Series 1986 A Bonds, the Series 1986 B Bonds and the Series 1999 A Bonds.

C. The Issuer derives revenues from the System which are pledged for payment of the Series 1986 A Bonds, the Series 1986 B Bonds and the Series 1999 A Bonds. Except for such pledge thereof, said revenues are not pledged or encumbered in any manner.

D. The Issuer intends to refund the Series 1986 A Bonds in their entirety with proceeds of the Series 2001 A Bonds and other funds of the Issuer, to issue the Series 2001 A Bonds and to pledge the Net Revenues of the System for payment thereof on a parity with the Series 1986 B Bonds and the Series 1999 A Bonds. Upon issuance and delivery of the Series 2001 A Bonds and the defeasance of the Series 1986 A Bonds, the lien position of the Series 1986 B Bonds shall become on a parity with the Series 2001 A Bonds and the Series 1999 A Bonds.

E. The Series 2001 A Bonds shall be issued on a parity with the Series 1986 B Bonds and the Series 1999 A Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the Series 1986 B Bonds and the Series 1999 A Bonds and the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material

nature. Prior to the issuance of the Series 2001 A Bonds, the Issuer will obtain the written consent of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds to the issuance of the Series 2001 A Bonds on a parity with the Series 1986 B Bonds and the Series 1999 A Bonds. Prior to the issuance of the Series 2001 A Bonds, the Issuer will obtain the written consent of the Holders of Series 1986 B Bonds and the Series 1999 A Bonds to the change of the lien position of the Series 1986 B Bonds. Other than the Series 1986 B Bonds and the Series 1999 A Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

F. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Series 1986 A Bonds will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Series 1986 B Bonds, the Series 1999 A Bonds and the Series 2001 A Bonds and to make all other payments provided for in this Resolution.

G. Based upon the assumed principal amount, maturity schedule and interest rates for the Series 2001 A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the Series 2001 A Bonds show a net present value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the Series 2001 A Bonds.

H. The Issuer shall not sell the Series 2001 A Bonds without setting forth in the Supplemental Resolution the determination set forth in paragraph G above, based upon the actual principal amount, maturity schedule and interest rates for the Series 2001 A Bonds, and the Issuer shall not issue the Series 2001 A Bonds without having obtained from an Independent Certified Public Accountant a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 2001 A Bonds and the net interest cost in dollars of the Series 1986 A Bonds.

I. Subject to the determination and certification required by paragraph H above, it is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2001 A Bonds and secure the Series 2001 A Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the moneys in the Series 2001 A Bonds Sinking Fund and the Series 2001 A Bonds Reserve Account, unexpended proceeds of the Series 2001 A Bonds and as further set forth herein.

J. The Series 2001 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2001 A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2001 A Bonds, will be timely done and duly performed.

L. The adoption of this Resolution, and the execution and issuance of the Series 2001 A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2001 A Bonds by those who shall own or hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Bondholders of any and all of such Series 2001 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All Series 1986 A Bonds Outstanding as of the date of issuance of the Series 2001 A Bonds are hereby ordered to be refunded, and the pledge of Net Revenues in favor of the Holders of the Series 1986 A Bonds imposed by the 1986 Resolution, the moneys in the funds and accounts created by the 1986 Resolution pledged to payment of the Series 1986 A Bonds, and any other funds pledged by the 1986 Resolution to payment of the Series 1986 A Bonds are hereby ordered terminated, discharged and released upon the payment to the Bond Commission for deposit in the Series 1986 A Bonds Sinking Fund from the proceeds of the Series 2001 A Bonds and from other moneys available therefor, of the following: (a) an amount equal to the fiscal and paying agent charges to become due and payable in connection with the Series 1986 A Bonds; and (b) an amount which will provide for the payment of the principal of and interest on the Series 1986 A Bonds, plus the premium, if any, as of October 1, 2001. Contemporaneously with the deposit of the proceeds of the Series 2001 A Bonds and other moneys into the Series 1986 A Bonds Sinking Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Series 1986 A Bonds shall be released from the lien created by the 1986 Resolution and deposited, to the extent not already deposited therein, in the Series 1986 A Bonds Sinking Fund, the Series 2001 A Bonds Reserve Account or such other fund or account as shall be set forth in the Supplemental Resolution and invested as provided therein.

ARTICLE III

THE BONDS

Section 3.01. Form and Payment of Bonds. No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the Series 2001 A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

The principal of and the premium, if any, on the Series 2001 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2001 A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed

and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2001 A Bonds, shall have been duly manually executed by the Registrar. Any such manually 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 Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2001 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2001 A Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2001 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2001 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and 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 the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued pursuant to this Resolution, the following provisions shall apply:

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2001 A Bonds Redemption Account in accordance

with Subsection 4.03A(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to 1/12th of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

B. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

C. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the Series 2001 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2001 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2001 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory

Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2001 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, the Original Purchaser and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2001 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 2001 A Bonds shall also be sent to registered securities depositories.

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date;

(2) The Redemption Price;

(3) If less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar; and

(6) Such other information, if any, as shall be required for DTC-eligible Bonds.

If funds sufficient to redeem all Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such moneys with the Paying Agent on or before the Redemption Date. If such moneys

are not so deposited, the Registrar shall notify all holders of Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Bonds, and failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Resolution. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Authorization of Bonds. For the purposes of paying a portion of the costs of refunding all of the Series 1986 A Bonds of the Issuer, funding the Series 2001 A Bonds Reserve Account paying costs in connection therewith and paying

certain costs of acquisition and construction of certain improvements and additions to the System, there shall be issued the Series 2001 A Bonds of the Issuer, in an aggregate principal amount of not more than $1,300,000. The Series 2001 A Bonds shall be designated "Sewer Refunding Revenue Bonds, Series 2001 A" and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any year of maturity, not exceeding the aggregate principal amount of Series 2001 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2001 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2001 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Bonds. A. The Series 2001 A Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2001 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2001 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2001 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2001 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2001 A Bond or any other evidence of ownership of the Series 2001 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2001 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2001 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Resolution, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2001 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2001 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Resolution. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2001 A Bonds to the extent of the sum or sums

so paid. In the event of the redemption of less than all of the Series 2001 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2001 A Bonds so redeemed, but DTC may return such Series 2001 A Bonds and make an appropriate notation on the Series 2001 A Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2001 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2001 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2001 A Bonds, selecting the Series 2001 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of Series 2001 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2001 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2001 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2001 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Resolution, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2001 A Bonds or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2001 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2001 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2001 A Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 2001 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2001 A Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the Series 2001 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2001 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the Series 2001 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2001 A Bonds to the Original Purchaser;

(C) Copies of this Resolution and the Supplemental Resolution certified by the Secretary;

(D) The unqualified approving opinion upon the Series 2001 A Bonds by Bond Counsel; and

(E) A copy of such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive Series 2001 A Bonds shall be in substantially the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2001 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2001 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the Series 2001 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 2001 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2001 A Bonds Sinking Fund and applied to payment of interest on the Series 2001 A Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 2001 A Bonds which, together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Series 1986 A Bonds (which amount shall

be set forth in the Supplemental Resolution) shall be deposited in the Series 1986 A Bonds Sinking Fund.

C. An amount of the proceeds of the Series 2001 A Bonds equal to the Series 2001 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2001 A Bonds Reserve Account; provided that, to the extent the Series 2001 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, proceeds of the Series 2001 A Bonds shall be deposited in the Series 2001 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2001 A Bonds Reserve Requirement.

D. An amount of the proceeds of the Series 2001 A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2001 A Bonds and miscellaneous costs of refunding the Series 1986 A Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2001 A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

E. The balance of any proceeds of the Series 2001 A Bonds and any moneys in any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, not used for any of the purposes set forth above, shall be deposited in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay the costs of acquisition and construction of certain improvements and extensions to the System (the "Project"). All such costs of the Project shall be paid within 6 months of the Closing Date. Moneys not to be applied immediately to pay such costs of the Project may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2001 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2001 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than $10,000,000 aggregate principal amount of obligations the interest on

which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Series 2001 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2001.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Depository Bank, segregated and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by the 1986 Resolution);

(2) Renewal and Replacement Fund (established by the 1986 Resolution);

(3) Construction Fund;

(4) Costs of Issuance Fund; and

(5) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Bond Commission, separate and apart from all other funds or accounts of the Bond Commission and the Issuer and from each other:

(1) Series 1986 A Bonds Sinking Fund (established by the 1986 Resolution);

(2) Series 1986 B Bonds Sinking Fund (established by the 1986 Resolution);

(3) Within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account (established by the 1986 Resolution);

(4) Series 1999 A Bonds Sinking Fund (established by the 1999 Resolution);

(5) Within the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account (established by the 1999 Resolution);

(6) Series 2001 A Bonds Sinking Fund;

(7) Within the Series 2001 A Bonds Sinking Fund, the Series 2001 A Bonds Reserve Account; and

(8) Within the Series 2001 A Bonds Sinking Fund; the Series 2001 A Bonds Redemption Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

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

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1986 B Bonds Sinking Fund, the amounts required by the 1986 Resolution to pay the interest, if any, on and the principal of the Series 1986 B Bonds; (ii) for deposit in the Series 1999 A Bonds Sinking Fund, the amounts required by the 1999 Resolution to pay the interest, if any, on and the principal of the Series 1999 A Bonds; (iii) commencing 6 months prior to the first interest payment date on the Series 2001 A Bonds, for deposit in the Series 2001 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2001 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2001 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2001 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2001 A

Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2001 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2001 A Bonds Sinking Fund; and (iv) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2001 A Bonds, for deposit in the Series 2001 A Bonds Sinking Fund, and in the Series 2001 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2001 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2001 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2001 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1986 B Bonds Reserve Account the amount required by the 1986 Resolution; (ii) for deposit in the Series 1999 A Bonds Reserve Account the amount required by the 1999 Resolution; and (iii) for deposit in the Series 2001 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2001 A Bonds Reserve Account below the Series 2001 A Bonds Reserve Requirement or any withdrawal from the Series 2001 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2001 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2001 A Bonds Reserve Account is less than the Series 2001 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2001 A Bonds Reserve Account for deposit into the Series

2001 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2001 A Bonds Reserve Account to an amount equal to the Series 2001 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2001 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2001 A Bonds Reserve Requirement.

(4) The Issuer shall next, from the moneys remaining in the Revenue Fund (as previously set forth in the 1986 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of 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 Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in 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) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2001 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2001 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2001 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2001 A Bonds when due, when amounts in the Series 2001 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the Series 2001 A Bonds Sinking Fund or the Series 2001 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2001 A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2001 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2001 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the Series 2001 A Bonds Sinking Fund 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 Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the Series 2001 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2001 A Bonds Reserve Requirement from the first Net Revenues available after all required payments have been made in full in the order set forth above.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 1986 B Bonds, the Series 1999 A Bonds and the Series 2001 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2001 A Bonds Sinking Fund and the Series 2001 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

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

C. The Issuer shall remit from the Revenue Fund to the Bond Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Bond 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 any 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 Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

F. All remittances made by the Issuer to the Bond 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 V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Resolution in Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, 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 Issuer 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 Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the Series 2001 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to semiannually transfer from the Series 2001 A Bonds Reserve Account to the Series 2001 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefor; provided, however, that there shall at all times remain on deposit in the Series 2001 A Bonds Reserve Account an amount at least equal to the Series 2001 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or

the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2001 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2001 A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefor, the Bond Insurer, if any, shall be notified immediately of such deficiency, such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2001 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2001 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2001 A Bonds in such manner and to such extent as may be necessary, so that the Series 2001 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2001 A Bonds) so that the interest on the Series 2001 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2001 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2001 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations,

regardless of whether such actions may be contrary to any of the provisions of this Resolution.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect, with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2001 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Series 2001 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2001 A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2001 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the moneys in the Series 2001 A Bonds Sinking Fund and the Series 2001 A Bonds Reserve Account therein, and the unexpended proceeds of the Series 2001 A Bonds, all as herein provided. No Holder or Holders of the Series 2001 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2001 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Parity Pledge of Net Revenues and Moneys in Sinking Fund. The payment of the debt service of all of the Series 2001 A Bonds issued hereunder 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 the Net Revenues in favor of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 2001 A Bonds herein authorized, and to make the payments into the Series 2001 A Bonds Sinking Fund, including the Series 2001 A Bonds Reserve Account therein, and all other payments provided for in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the interest on and principal of the Series 2001 A Bonds herein authorized as the same become due and for the other purposes provided in this Resolution.

Section 6.04. 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% of the maximum amount required in any year for payment of principal of and interest on the Series 2001 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 2001 A Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

Section 6.05. Operation and Maintenance. The Issuer will operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

Section 6.06. Sale of the System. So long as the Series 1986 B Bonds and the Series 1999 A 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 resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds. Additionally, so long as the Series 2001 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2001 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2001 A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 2001 A Bonds. Any balance remaining after the payment of the Series 2001 A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

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

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2001 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2001 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2001 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2001 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2001 A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds and Subordinate Debt. So long as the Series 1986 B Bonds and the Series 1999 A Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds 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 2001 A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2001 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of 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 an Independent Certified Public Accountant reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of issuance of such additional parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such

additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountant, as stated in a certificate signed by such Independent Certified Public Accountant, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2001 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2001 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 Resolution with respect to the Bonds then Outstanding (excluding the Renewal and Replacement Fund), and any other payments provided for in this Resolution, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of parity Additional Bonds or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an Independent Certified Public Accountant.

No additional bonds, notes, certificates, contracts or any other obligations shall be issued by the Issuer unless no Event of Default shall have occurred and be continuing with respect to the Bonds.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

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

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other

funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. 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 thereof shall avail himself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, 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 and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, 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 and facilities of the System and any services and facilities of the waterworks system, if so owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is 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 6.12. 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 or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. 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 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, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer. The Issuer 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 Issuer shall be reported to such agent of the Issuer as it shall direct.

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, an annual report containing the following:

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

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Certified Public Accountant in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and

adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser, the Bond Insurer, if any, and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. 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 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2001 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 2001 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds.

Section 6.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2001 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2001 A Bonds during the term thereof is, under the terms of the Series 2001 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2001 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2001 A Bonds during the term thereof is, under the terms of the Series 2001 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2001 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2001 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2001 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2001 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2001 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2001 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.18 Municipal Bond Insurance Policy. The Issuer may apply for a Municipal Bond Insurance Policy for the Series 2001 A Bonds. In the event a Municipal Bond Insurance Policy is obtained, additional covenants and provisions of the Issuer may be required by the Bond Insurer as a condition to insuring the Series 2001 A Bonds. These additional covenants and provisions shall be set forth in a Supplemental Resolution, shall apply to the Series 2001 A Bonds, and shall be controlling in the event any other provisions of this Resolution may be in conflict therewith.

Section 6.19. Merger, Consolidation or Acquisition of Issuer. The Issuer may, without the consent of the holders of the Series 2001 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2001 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the Issuer first obtains a written statement by an Independent Certified Public Accountant that the merged, consolidated or acquiring entity will, immediately following such merger, consolidation or acquisition, satisfy the test for the issuance of additional parity bonds set forth in Section 6.08 hereof.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2001 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2001 A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or any Supplemental Resolution or in the Series 2001 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Bond Insurer;

(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 Series 1986 B Bonds and the Series 1999 A Bonds or the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure (i) to pay principal of or interest on the Bonds, or (ii) to comply with the Subordinate Debt provisions shall be an immediate event of default.

No waivers shall be granted by any party to the Bond documents without the prior written consent of the Bond Insurer, if any.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to

require the Issuer to perform its duties under the Act and this Resolution;

(C) Bring suit upon the Bonds;

(D) 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 Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Resolution or the rights of the Bondholders.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2001 A Bonds shall be on a parity with those of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer 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 on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder 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, 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 appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Resolution, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2001 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Series 2001 A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2001 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2001 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2001 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2001 A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2001 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Series 2001 A Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2001 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2001 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Series 2001 A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any moneys, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2001 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Series 2001 A Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The Bond Commission shall serve as the Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Bonds shall be and remain DTC-eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from moneys available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Resolution. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All moneys received by the Paying Agent shall, until used or applied as provided in this Resolution, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

Section 9.01. Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2001 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 Resolution, then this Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2001 A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes.

The Series 2001 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 the respective principal of and interest on the Series 2001 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 2001 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 Bond Commission or an escrow trustee 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 Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the Series 2001 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2001 A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 2001 A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on the Series 2001 A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional secnrities as shall be set forth in the Supplemental Resolution.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Resolution. Prior to issuance of the Series 2001 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of the Resolution, shall be controlling. Following issuance of the Series 2001 A Bonds, this Resolution and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. In the event any of the Series 2001 A Bonds are insured, no such amendment or modification which adversely affects the security for such Series 2001 A Bonds or the rights of any Bond Insurer for such Series 2001 A Bonds may be effected without the written consent of such Bond Insurer. No materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2001 A Bonds then Outstanding and affected thereby and such Bond Insurer, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2001 A Bond without the express written consent of the Holder of each Series 2001 A Bond so affected, nor reduce the percentage of Series 2001 A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Resolution shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Resolution shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any moneys held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such moneys then unclaimed will be returned to the Issuer. If any of said Bonds is a coupon Bond, the Registrar

or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such moneys will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER

Kingmill Valley Public Service District
P. O. Box 265
Fairmont, West Virginia 26555-0265
Attention: Chairman

REGISTRAR AND PAYING AGENT

[Name(s) and address(es) to be set forth in Supplemental Resolution]

DEPOSITORY BANK

[Name and address to be set forth in Supplemental Resolution]

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
100 Laidley Tower
Charleston, West Virginia 25301

BOND INSURER

[Name and address, if any, to be set forth in Supplemental Resolution]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2001 A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2001 A Bonds and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds, the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds shall control, unless less restrictive, so long as the Series 1986 B Bonds and the Series 1999 A Bonds are Outstanding.

Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 10.14. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 6th day of September, 2001.

Chairman

Member

Member

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Kingmill Valley Public Service District on the 6th day of September, 2001.

Dated this 13th day of September, 2001.

[SEAL]

William L. Thomas
Secretary

09/06/01
483960.00001

EXHIBIT A - BOND FORM

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BOND,
SERIES 2001 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said

Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 199___ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by _____, _____, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in _____, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated "Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____ 1, 2001, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, of the Issuer outstanding in the total aggregate principal amount of $_____ (the "Series 1986 A Bonds"), which were issued to finance the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; (iii) to pay certain costs of issuance of the Bonds and related costs; and (iv) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on September _____, 2001, and supplemented by a supplemental resolution duly

adopted by the Issuer on September ___, 2001 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1999 A, DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS").

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to _____. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after _____, _____, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, are subject to mandatory sinking fund redemption prior to maturing on _____ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing	
Year (*)	Principal Amount

Bonds Maturing	
Year (*)	Principal Amount

Bonds Maturing	
Year (*)	Principal Amount

Bonds Maturing	
Year (*)	Principal Amount

Bonds Maturing	
Year (*)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds and the Series 1999 A Bonds, and from moneys in the reserve account created under the Resolution for the Bonds (the "Series 2001 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 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, except from said special fund provided from the Net Revenues, the moneys in the Series 2001 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1986 A Bonds, fund a reserve account for the Bonds, pay costs of acquisition and construction of certain additions, betterments and improvements to the System and pay costs of issuance hereof, 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 do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

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

IN WITNESS WHEREOF, KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

(Manual or Facsimile Signature)
Chairman

ATTEST:

(Manual or Facsimile Signature)
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Bonds.

Dated: _____, _____.

_____,
as Registrar

By _____
Its Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____

_____ the within Bond and does hereby irrevocably constitute and appoint _____

_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____

(Bank, Trust Company or Firm)

_____

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A PREPAYMENT AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, Kingmill Valley Public Service District (the "Issuer"), in the County of Marion, State of West Virginia, is a public service district and public corporation of said State, the governing body of which is this public service board (the "Governing Body");

WHEREAS, the Governing Body duly adopted on September 6, 2001, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1986 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $1,300,000, THE PROCEEDS OF WHICH

SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

WHEREAS, the Resolution provided for the refunding of the Issuer's Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986 (the "Series 1986 A Bonds"), and issuance of its Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"), in an aggregate principal amount not to exceed $1,300,000, for the purposes of paying a portion of the costs of such refunding, funding all or a portion of a reserve account for the Series 2001 A Bonds, paying costs of acquisition and construction of additions, betterments and improvements to the System, and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2001 A Bonds should be established, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Prepayment Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2001 A Bonds be provided for by a supplemental resolution of the Governing Body upon receipt of a Bond Purchase Agreement acceptable to the Governing Body;

WHEREAS, the Series 2001 A Bonds are proposed to be purchased by Ferris, Baker Watts, Incorporated (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, dated the date of adoption hereof (the "Bond Purchase Agreement");

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted, that the Bond Purchase Agreement, the Continuing Disclosure

Agreement, the Prepayment Agreement and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Series 2001 A Bonds, hereinafter described, be approved, that the dates, amounts, maturities, interest rates, redemption provisions, purchase price and other details of the Series 2001 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2001 A Bonds be herein provided for, all in accordance with the Resolution;

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2001 A Bonds. The Series 2001 A Bonds shall be dated September 1, 2001, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable semiannually on April 1 and October 1 of each year, commencing April 1, 2002, shall mature on October 1 in such years, and shall have such redemption provisions and other terms as are set forth in EXHIBIT A - SERIES 2001 A BOND TERMS, attached hereto and incorporated by reference herein. All other provisions relating to the Series 2001 A Bonds shall be as provided in the Resolution, and the Series 2001 A Bonds shall be in substantially the form provided in the Resolution.

Section 2. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, dated the date of adoption of this Supplemental Resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Bond Purchase Agreement by the Chairman shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2001 A Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 2001 A Bonds, pursuant to the Bond Purchase Agreement, shall be $1,096,100 (par amount of $1,130,000, less Underwriter's Discount of $33,900), plus interest accrued from the date of the Series 2001 A Bonds to the date of delivery of the Series 2001 A Bonds, expected to be on or about September 13, 2001.

Section 3. The Prepayment Agreement by and between the West Virginia Municipal Bond Commission and the Issuer, dated the date of delivery of the Series 2001 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Prepayment Agreement with such changes, insertions and omissions as may be approved by the Chairman. The

execution of the Prepayment Agreement by the Chairman shall be conclusive evidence of any approval required by this Section

Section 4. The Issuer does hereby approve the transfer of $105,512.55 from the Series 1986 A Bonds Reserve Account, held by the West Virginia Municipal Bond Commission, to the Series 1986 A Bonds Sinking Fund to provide sufficient funds to defease the Series 1986 A Bonds.

Section 5. The Continuing Disclosure Agreement by and between the Issuer and the Original Purchaser, to be dated as of the date of delivery of the Series 2001 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Continuing Disclosure Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 6. The Official Statement dated the date of adoption of this Supplemental Resolution, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Chairman), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Chairman shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated August 28, 2001 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Chairman is hereby ratified and approved.

Section 7. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Series 2001 A Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 8. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 2001 A Bonds.

Section 9. The Issuer does hereby appoint and designate United National Bank, Charleston, West Virginia, for the purpose of serving in the capacity of Registrar and Wesbanco Bank Wheeling, Inc., Wheeling, West Virginia, as Depository Bank.

Section 10. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 11. The notice addresses for the Registrar, Paying Agent and Original Purchaser shall be as follows:

REGISTRAR

United National Bank
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
#8 Capitol Street, Suite 500
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301
Attention: Public Finance

Section 12. Based upon the actual principal amount, maturity schedule and interest rates for the Series 2001 A Bonds, as set forth in EXHIBIT A - SERIES 2001 A BOND TERMS, attached hereto, it is hereby determined that the Series 2001 A Bonds show a net savings to the Issuer after deducting all expenses of the refunding. Prior to delivery of the Series 2001 A Bonds, the Issuer shall have obtained from Gary K. Bennett, CPA or such other independent certified public accountant acceptable to the Chairman, a certification that the amount of savings stated to be achieved by the refunding shall in fact be correct, based upon their review, comparison and analysis of the total net debt service in dollars of the Series 2001 A Bonds and the remaining total net debt service in dollars of the Series 1986 A Bonds. The Chairman is hereby authorized and directed to employ Gary K. Bennett, CPA, Fairmont, West Virginia, or such other independent certified public accountant satisfactory to Bond Counsel, to supply the certification required herein and to take other actions required in connection with the refunding.

Section 13. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 2001 A Bond issue to the end that the Series 2001 A Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 14. This Supplemental Resolution shall be effective immediately.

Adopted this 6th day of September, 2001.

Chairman

Member

Member

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of KINGMILL VALLEY PUBLIC SERVICE DISTRICT on the 6th day of September,2001.

Dated this 13th day of September, 2001.

[SEAL]

William L. Thomas
Secretary

09/06/01
063490.00002

EXHIBIT A - SERIES 2001 A BOND TERMS

TERM BONDS

Bond No.	CUSIP	Maturity Date	Principal Amount	Interest Rate	Price or Yield
AR-1	49579KAB9	October 1, 2016	$520,000	5.80%	100%
AR-2	49579KAA1	October 1, 2025	$610,000	6.10%	100%

OPTIONAL REDEMPTION

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2001 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

MANDATORY SINKING FUND REDEMPTION

The Series 2001 A Bonds maturing on October 1, 2016 and 2025 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption, plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Principal Amount
2002	$ 20,000.000
2003	$ 25,000.000
2004	$ 25,000.000
2005	$ 25,000.000
2006	$ 30,000.000
2007	$ 30,000.000
2008	$ 30,000.000
2009	$ 35,000.000
2010	$ 35,000.000
2011	$ 40,000.000
2012	$ 40,000.000
2013	$ 40,000.000
2014	$ 45,000.000
2015	$ 50,000.000
2016**	$ 50,000.000

Series 2001 A Bonds Maturing October 1, 2025

Year	Principal Amount
2017	$ 55,000.00
2018	$ 55,000.00
2019	$ 60,000.00
2020	$ 65,000.00
2021	$ 65,000.00
2022	$ 70,000.00
2023	$ 75,000.00
2024	$ 80,000.00
2025**	$ 85,000.00

** Final maturity

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-1 **SPECIMEN** $520,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BOND,
SERIES 2001 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
5.800%	October 1, 2016	September 1, 2001	49579KAB9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED TWENTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning April 1, 2002 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on

such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each April 1 and October 1) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United National Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $1,130,000 designated "Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated September 1, 2001, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, of the Issuer outstanding in the total aggregate principal amount of $934,946 (the "Series 1986 A Bonds"), which were issued to finance the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; (iii) to pay certain costs of issuance of the Bonds and related costs; and (iv) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on September 6, 2001, and supplemented by a supplemental resolution duly adopted by the Issuer on September 6, 2001 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1999 A, DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS").

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2001 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

(B) Mandatory Sinking Fund Redemption

The Series 2001 A Bonds maturing on October 1, 2016 and 2025 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption, plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Principal Amount
2002	$ 20,000.000
2003	$ 25,000.000
2004	$ 25,000.000
2005	$ 25,000.000
2006	$ 30,000.000

Year	Principal Amount
2007	$ 30,000.000
2008	$ 30,000.000
2009	$ 35,000.000
2010	$ 35,000.000
2011	$ 40,000.000
2012	$ 40,000.000
2013	$ 40,000.000
2014	$ 45,000.000
2015	$ 50,000.000
2016**	$ 50,000.000

Series 2001 A Bonds Maturing October 1, 2025

Year	Principal Amount
2017	$ 55,000.00
2018	$ 55,000.00
2019	$ 60,000.00
2020	$ 65,000.00
2021	$ 65,000.00
2022	$ 70,000.00
2023	$ 75,000.00
2024	$ 80,000.00
2025**	$ 85,000.00

** Final maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall

default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds and the Series 1999 A Bonds, and from moneys in the reserve account created under the Resolution for the Bonds (the "Series 2001 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 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, except from said special fund provided from the Net Revenues, the moneys in the Series 2001 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1986 A Bonds, fund a reserve account for the Bonds, pay costs of acquisition and construction of certain additions, betterments and improvements to the System and pay costs of issuance hereof, 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 do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

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

IN WITNESS WHEREOF, KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

Chairman

SPECIMEN

ATTEST:

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Bonds.

Dated: September 13, 2001.

UNITED NATIONAL BANK, as Registrar

By _____
Its Authorized Officer

SPECIMEN

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____

_____ the within Bond and does hereby irrevocably constitute and appoint _____

_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____

(Bank, Trust Company or Firm)

_____

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

483960/00001

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-2

SPECIMEN

$610,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BOND,
SERIES 2001 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
6.100%	October 1, 2025	September 1, 2001	49579KAA1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIX HUNDRED TEN THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning April 1, 2002 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on

such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each April 1 and October 1) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United National Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $1,130,000 designated "Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated September 1, 2001, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, of the Issuer outstanding in the total aggregate principal amount of $934,946 (the "Series 1986 A Bonds"), which were issued to finance the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; (iii) to pay certain costs of issuance of the Bonds and related costs; and (iv) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on September 6, 2001, and supplemented by a supplemental resolution duly adopted by the Issuer on September 6, 2001 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1999 A, DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS").

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2001 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

(B) Mandatory Sinking Fund Redemption

The Series 2001 A Bonds maturing on October 1, 2016 and 2025 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption, plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Principal Amount
2002	$ 20,000.000
2003	$ 25,000.000
2004	$ 25,000.000
2005	$ 25,000.000
2006	$ 30,000.000

Year	Principal Amount
2007	$ 30,000.000
2008	$ 30,000.000
2009	$ 35,000.000
2010	$ 35,000.000
2011	$ 40,000.000
2012	$ 40,000.000
2013	$ 40,000.000
2014	$ 45,000.000
2015	$ 50,000.000
2016**	$ 50,000.000

Series 2001 A Bonds Maturing October 1, 2025

Year	Principal Amount
2017	$ 55,000.00
2018	$ 55,000.00
2019	$ 60,000.00
2020	$ 65,000.00
2021	$ 65,000.00
2022	$ 70,000.00
2023	$ 75,000.00
2024	$ 80,000.00
2025**	$ 85,000.00

** Final maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall

default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds and the Series 1999 A Bonds, and from moneys in the reserve account created under the Resolution for the Bonds (the "Series 2001 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 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, except from said special fund provided from the Net Revenues, the moneys in the Series 2001 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1986 A Bonds, fund a reserve account for the Bonds, pay costs of acquisition and construction of certain additions, betterments and improvements to the System and pay costs of issuance hereof, 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 do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

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

IN WITNESS WHEREOF, KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

Chairman

SPECIMEN

ATTEST:

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Bonds.

Dated: September 13, 2001.

UNITED NATIONAL BANK, as Registrar

By _____
Its Authorized Officer

SPECIMEN

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____

_____ the within Bond and does hereby irrevocably constitute and appoint _____

_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____

(Bank, Trust Company or Firm)

_____

(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

SPECIMEN

UNITED STATES OF AMERICA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$2,770,000

No. AR-1 Date: February 11, 2010

FOR VALUE RECEIVED, KINGMILL VALLEY PUBLIC SERVICE DISTRICT (herein called "Issuer") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of TWO MILLION SEVEN HUNDRED SEVENTY THOUSAND DOLLARS ($2,770,000), plus interest on the unpaid principal balance at the rate of 4.0% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $11,828, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter

basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the sewerage system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolutions and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Issuer duly adopted February 9, 2010, authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar

purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING SEWER REVENUE BONDS OF THE ISSUER:

(1) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 10, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS");

(2) SEWER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS); AND

(3) SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, DATED SEPTEMBER 1, 2001, ISSUED IN THE ORIGINAL AGGREGATED PRINCIPAL AMOUNT OF $1,130,000 (THE "SERIES 2001 A BONDS").

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

IN WITNESS WHEREOF, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

SPECIMEN

Chairman

ATTEST:

SPECIMEN

Secretary

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $235,200	February 11, 2010	(19)	
(2)		(20)	
(3)		(21)	
(4)		(22)	
(5)		(23)	
(6)		(24)	
(7)		(25)	
(8)		(26)	
(9)		(27)	
(10)		(28)	
(11)		(29)	
(12)		(30)	
(13)		(31)	
(14)		(32)	
(15)		(33)	
(16)		(34)	
(17)		(35)	
(18)		(36)	

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20____.

_____

In the presence of:

_____

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$2,770,000

REGISTRATION BOOKS

(No writing on these Books except by the Issuer as Registrar)

Bond No.	**Date of Registration**	**In Whose Name Registered**	**Signature of Secretary of Registrar**
AR-1	February 11, 2010	United States Department of Agriculture	

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

February 11, 2010

Kingmill Valley Public Service District
Sewer Revenue Bonds, Series 2010 A
(United States Department of Agriculture)

Kingmill Valley Public Service District
Fairmont, West Virginia

United States Department of Agriculture
Whitehall, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Kingmill Valley Public Service District in Marion County, West Virginia (the "Issuer"), of its $2,770,000 Sewer Revenue Bonds, Series 2010 A (United States Department of Agriculture), dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted February 9, 2010 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district and public corporation and a political subdivision of the State of West Virginia, with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds on a parity with the Issuer's (i) Sewer Revenue Bonds, Series 1986 B, dated June 10, 1986, issued in the original aggregate principal amount of $81,343 (the "Series 1986 B Bonds"), (ii) Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development

Authority), dated June 15, 1999, issued in the original aggregate principal amount of $183,200 (the "Series 1999 A Bonds"), and (iii) Sewer Refunding Revenue Bonds, Series 2001 A, dated September 1, 2001, issued in the original aggregated principal amount of $1,130,000, all in accordance with the Bonds and the Bond Legislation.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

5. The Bonds have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Bonds is exempt from personal income taxes and corporate net income taxes imposed directly thereon by the State of West Virginia.

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

Very truly yours,

STEPTOE & JOHNSON PLLC

JAMES O. WATKINS, JR.
ATTORNEY AT LAW
SUITE 100 SECURITY BUILDING
211 ADAMS STREET
P. O. BOX 1108
FAIRMONT, WEST VIRGINIA 26555-1108

(304) 366-6202
FAX (304) 366-2430

February 11, 2010

Kingmill Valley Public Service District
Sewer Revenue Bonds, Series 2010A
(United States Department of Agriculture)

Kingmill Valley Public Service District
Fairmont, West Virginia

United States Department of Agriculture
White Hall, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Kingmill Valley Public Service District, a public service district in Marion County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted February 9, 2010 (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of the County Commission of Marion County relating to the creation of the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.

2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

3. The Resolution has been duly adopted by the Issuer and is in full force and effect.

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, to the best of my knowledge, conflict with or constitute, on the part o the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from the County Commission of Marion County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and had duly complied with the provisions thereof.

6. The Issuer has received all orders and approvals from the Public Service Commission of West Virginia, including the Recommended Decision of the Public Service Commission of West Virginia entered on October 26, 2009 which became Final Order on November 15, 2009 and Corrective Order dated January 14, 2010, in Case No. 09-0368-PSD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, approving rates for the System and approving the financing for the Project, The time for appeal of said Order has expired prior to the date hereof. Such Order remains in full force and effect.

7. To the Best of my knowledge, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds or the Resolution, the acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Respectfully,

James O. Watkins, Jr.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2010 A
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BONDS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES, ETC.
6. CERTIFICATION OF COPIES OF DOCUMENTS
7. INCUMBENCY AND OFFICIAL NAME, ETC.
8. DELIVERY AND PAYMENT AND USE OF PROCEEDS
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
11. CONTRACTORS' INSURANCE, ETC.
12. CONNECTIONS, ETC.
13. MANAGEMENT
14. CONFLICT OF INTEREST
15. PROCUREMENT OF ENGINEERING SERVICES
16. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Kingmill Valley Public Service District in Marion County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify in connection with the Kingmill Valley Public Service District Sewer Revenue Bonds, Series 2010 A (United States Department of Agriculture) (the "Series 2010 A Bonds"), No. AR-1, fully registered, in the principal amount of $2,770,000, dated the date hereof and bearing interest at the rate of 4.0% per annum, this 11th day of February, 2010 as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Series 2010 A Bonds has been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to the Letter of Conditions of the Purchaser, dated August 5, 2008, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted February 9, 2010, authorizing issuance of the Series 2010 A Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning

as defined in the Resolution when used herein. The Series 2010 A Bonds are being issued on this date to finance the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

2. NO LITIGATION: No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the issuance and delivery of the Series 2010 A Bonds or receipt of any grant monies committed for the System; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2010 A Bonds; nor in any way questioning or affecting the validity of the grants committed for the System or the Series 2010 A Bonds, or any provisions made or authorized for the payment thereof, including, without limitation, the pledge or application of any monies or security therefor; nor questioning the existence, powers or proceedings of the Issuer or its Public Service Board (the "Governing Body") or the title of the members and officers thereof to their respective offices; nor questioning the operation of the System or the acquisition and construction of the Project, a portion of the cost of which is being financed out of the proceeds of sale of the Series 2010 A Bonds; nor questioning the rates and charges provided for services of the System.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, authorizations, registrations, exemptions, consents 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 Series 2010 A 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 West Virginia Code of 1931, as amended, which bids remain in full force and effect.

The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered on October 26, 2009 which became Final Order on November 15, 2009 and Commission Order dated January 14, 2010, in Case No. 09-0368-PSD-CN granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the rates and charges of the System. The time for appeal of the Final Order has expired prior to the date hereof. The Order remains in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval by the Purchaser of a loan to assist in acquisition and construction of the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2010 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1986 B, dated June 10, 1986, issued in the original aggregate principal amount of $81,343 (the "Series 1986 B Bonds"), (ii) Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), dated June 15, 1999, issued in the original aggregate principal amount of $183,200 (the "Series 1999 A Bonds"),

and (iii) Sewer Refunding Revenue Bonds, Series 2001 A, dated September 1, 2001, issued in the original aggregated principal amount of $1,130,000 (the "Series 2001 A Bonds") (collectively called the "Prior Bonds."). The Prior Bonds are payable from and secured by Net Revenues of the System.

The Issuer is not in default under the terms of the Prior Bonds, or the resolutions authorizing issuance of the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

5. SIGNATURES, ETC.: The undersigned Chairman and Secretary did, for the Issuer on the date of delivery of the Series 2010 A Bonds on the date hereof, officially execute and seal the Series 2010 A Bonds with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected, appointed, qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Series 2010 A Bonds for the Issuer.

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

Bond Resolution

Prior Bond Resolutions

Consent of WDA to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

County Commission Orders Regarding Creation of the District

County Commission Orders of Appointment of Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Notice of Filing

Minutes of Current Year Organizational Meeting

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Kingmill Valley Public Service District" and its principal office and place of business are in Marion County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Charles Piercy	10/29/08	10/01/14
John Conaway	09/22/06	10/01/12
Robert Schmidt	10/08/04	10/01/10

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2010 are as follows:

Chairman - Charles Piercy
Secretary - John Conaway

The duly appointed and acting Attorney for the Issuer is James Watkins, Jr., Fairmont, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Series 2010 A Bonds were delivered to the Purchaser at Fairmont, West Virginia, by the undersigned Chairman for the purposes set forth herein, and at the time of such delivery the Series 2010 A Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Bond Resolution.

At the time of delivery of the Series 2010 A Bonds, the amount of $235,200 was received by the undersigned Chairman, being a portion of the principal amount of Series 2010 A Bonds. Further advances of the balance of the principal amount of the Series 2010 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Series 2010 A Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.0% per annum is payable from the date of each such advance.

The Series 2010 A Bonds and the entire proceeds thereof will be used for the purposes herein set forth and for no other purposes.

9. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition, construction, operation and maintenance of the Project and 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 Series 2010 A Bonds.

10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, 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 acquisition, construction, operation and financing of the Project and the System were authorized or adopted at meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly 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.

11. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Workers' Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Letter of Conditions of the Purchaser, as amended, and the Bond Resolution.

12. CONNECTIONS, ETC.: The Issuer will serve at least 1,326 bona fide full-time users upon the System on completion, in full compliance with the requirements and conditions of the Purchaser.

13. MANAGEMENT: The Issuer has heretofore delivered to the Purchaser a plan concerning operation and management of the System, which plan was found to be acceptable by such Purchaser.

14. 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 Series 2010 A Bonds, the Bond Resolution and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Bond Resolution. 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.

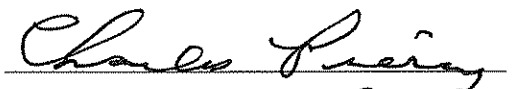
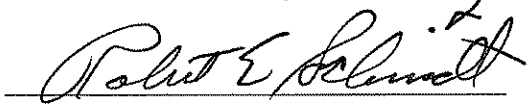
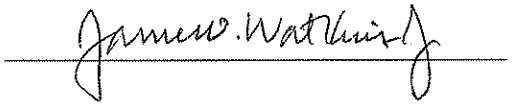
15. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Series 2010 A Bonds.

16. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Left Blank]

WITNESS our signatures and the official seal of KINGMILL VALLEY PUBLIC SERVICE DISTRICT on this day and year first written above.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
	Chairman
	Secretary
	Attorney for Issuer

483960.00002

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2010 A
(United States Department of Agriculture)

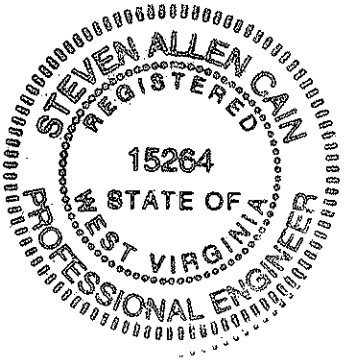
ENGINEER'S CERTIFICATE

I, Steven Cain, Registered Professional Engineer, West Virginia License No. 015264 of Greenhorne & O'Mara, Inc., Fairmont, West Virginia, hereby certify this 11th day of February, 2010 that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing sewerage system (the "System") of Kingmill Valley Public Service District (the "Issuer"), to be acquired and constructed in Marion County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

I further certify that the Project is adequate for the purpose for which it was designed and that all necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained or can and will be obtained.

WITNESS my signature on the day and year first written above.



GREENHORNE & O'MARA, INC.

Steven Cain 2-2-10

Steven Cain, P.E.
West Virginia License No. 015264

483960.00002

Bennett & Dobbins PLLC

CERTIFIED PUBLIC ACCOUNTANTS

317 Cleveland Avenue
Fairmont, WV 26554-1604
Telephone: (304) 366-4295 Fax: (304) 366-4311

GARY K. BENNETT, MBA-CPA
ZACHARY D. DOBBINS, CPA

February 11, 2010

Kingmill Valley Public Service District
Sewer Revenue Bonds, Series 2010 A
(United States Department of Agriculture)

Kingmill Valley Public Service District
Fairmont, West Virginia

United States Department of Agriculture
Whitehall, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Recommended Decision entered October 26, 2009 which became Final Order on November 15, 2009 and Corrective Order dated January 14, 2010 in Case No. 09-0368-PSD-CN of the Public Service Commission of West Virginia, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by Greenhorne & O'Mara, Inc., it is my opinion that such rates and charges (i) will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Sewer Revenue Bonds, Series 2010 A (United States Department of Agriculture) issued in the aggregate principal amount of $2,770,000 (the "Series 2010 A Bonds") and the Prior Bonds, as herein after defined, and sufficient to make the payments required into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and (ii) be sufficient to provide revenues to pay all operating expenses of the System and to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 A Bonds, and all other obligations secured by or payable from the revenues of the System on a parity with the Series 2010 A Bonds, including the Issuer's: (i) Sewer Revenue Bonds, Series 1986 B, dated June 10, 1986, issued in the original aggregate principal amount of $81,343 (the "Series 1986 B Bonds"), (ii) Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), dated June 15, 1999, issued in the original aggregate principal amount of $183,200 (the "Series 1999 A Bonds"), and (iii) Sewer Refunding Revenue Bonds, Series 2001 A, dated September 1, 2001, issued in the original aggregated principal amount of $1,130,000 (the "Series 2001 A Bonds") (collectively called the "Prior Bonds").

It is my further opinion that the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2010 A Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2010 A Bonds, if any, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Series 2010 A Bonds and the Prior Bonds.

Very truly yours,

Bennett & Dobbins PLLC

Bennett & Dobbins PLLC

WV MUNICIPAL BOND COMMISSION
1207 Quarrier Street
Suite 401
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 2/11/2010

ISSUE: Kingmill Valley Public Service District
Sewer Revenue Bonds, Series 2010 A (United States Department of Agriculture)

ADDRESS: P.O. Box 265, Fairmont, West Virginia 26554 COUNTY: Marion

PURPOSE OF ISSUE:
New Money: x
Refunding:

ISSUE DATE: 2/11/2010
ISSUE AMOUNT: $2,770,000.00
1ST DEBT SERVICE DUE: NA
1ST DEBT SERVICE AMOUNT NA

REFUNDS ISSUE(S) DATED: NA
CLOSING DATE: 2/11/2010
RATE: 4%
1ST PRINCIPAL DUE NA
PAYING AGENT: Issuer

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

UNDERWRITERS COUNSEL
Firm:
Contact:
Phone:

CLOSING BANK:
Bank:
Contact:
Phone:

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: Edd Abbadini
Position: Manager
Phone: 304.366.3928

OTHER:
Agency: United States Department of Agriculture
Contact: Joe Crickenberger
Position: Rural Developoment Specialist
Phone: 304.63

DEPOSITS TO MBC AT CLOSE
By: ____ Wire ____ Check

____ Accrued Interest: $
____ Capitalized Interest: $
____ Reserve Account: $
____ Other: $

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: ____ Wire ____ Check ____ IGT

____ To Escrow Trustee $
____ To Issuer $
____ To Cons. Invest. Fun $
____ To Other: ____ $

NOTES: Monthly debt service payments will be made by the District directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2010 A Reserve Account. The first payment into the Reserve Account is due 24 months from the date of closing.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED:
TRANSFERS REQUIRED: