

LOGAN COUNTY PUBLIC SERVICE DISTRICT

\$1,075,000 Water Revenue Bonds
(Harts Creek Project), Series 1997 B

March 25, 1997

MASTER LOAN AGREEMENT

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

LOGAN COUNTY PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

ARTICLE I

Definitions

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

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

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Division of Environmental Protection, or any successor thereto.

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

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

other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority and Council.

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and

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

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

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

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

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local

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

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

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

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

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

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

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until it has available in the Infrastructure Fund funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

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

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

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

- (i) to pay Operating Expenses of the System;
- (ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule

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

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

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

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

(b) Covenants substantially as follows:

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

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

amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

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

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, based upon the rates, Operating Expenses and customer usage on the date of closing, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

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

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

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

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency,

the Authority may exercise any or all of the rights and powers granted under the Act and State law, including without limitation the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

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

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

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

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

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

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

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

LOGAN COUNTY PUBLIC SERVICE DISTRICT

(SEAL)

By: Ben F. Lane
Its: Acting Chairperson

Date: March 25, 1997

Attest:

James R. Jeffery
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. Gontarsky
Director

Date: March 25, 1997

Attest:

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

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

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least _____ years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the _____ of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b)(ii) of the Loan Agreement, (vi) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

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

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
c/o West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19__, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, 19__ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest and principal payable in installments on September 1, December 1, March 1 and June 1 of each year, beginning December 1, 1997, at the rate as set forth in Exhibit A incorporated in and made a part of the Bonds.

The Local Bonds are issued for the purpose of _____ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly enacted by the Governmental Agency on _____ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

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

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

[Name of Governmental Agency]

By: _____
Authorized Officer

CHASFS3:58465

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$1,075,000
Purchase Price of Bonds	\$1,075,000

Principal and interest on the Bonds is payable quarterly, commencing June 1, 1998, to and including March 1, 2037, at a rate of 2% per annum amortized over a forty year period. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 commencing June 1, 1998, as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and Council's understanding that the Governmental Agency has outstanding its Series 1996 A, Series 1996 B and Series 1997 C Bonds, as more fully described in the Closing Documents.

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

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

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

Schedule Y

Logan County Public Service District, WV
Harts Creek Water Project
\$1,075,000 Infrastructure Fund Loan
40 years, 2% interest rate
DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
3/01/1998	.	.	.	.
6/01/1998	4,565.78	2.000%	5,375.00	9,940.78
9/01/1998	4,588.61	2.000%	5,352.17	9,940.78
12/01/1998	4,611.55	2.000%	5,329.23	9,940.78
3/01/1999	4,634.61	2.000%	5,306.17	9,940.78
6/01/1999	4,657.78	2.000%	5,283.00	9,940.78
9/01/1999	4,681.07	2.000%	5,259.71	9,940.78
12/01/1999	4,704.47	2.000%	5,236.30	9,940.77
3/01/2000	4,728.00	2.000%	5,212.78	9,940.78
6/01/2000	4,751.64	2.000%	5,189.14	9,940.78
9/01/2000	4,775.39	2.000%	5,165.38	9,940.77
12/01/2000	4,799.27	2.000%	5,141.51	9,940.78
3/01/2001	4,823.27	2.000%	5,117.51	9,940.78
6/01/2001	4,847.38	2.000%	5,093.39	9,940.77
9/01/2001	4,871.62	2.000%	5,069.16	9,940.78
12/01/2001	4,895.98	2.000%	5,044.80	9,940.78
3/01/2002	4,920.46	2.000%	5,020.32	9,940.78
6/01/2002	4,945.06	2.000%	4,995.72	9,940.78
9/01/2002	4,969.79	2.000%	4,970.99	9,940.78
12/01/2002	4,994.64	2.000%	4,946.14	9,940.78
3/01/2003	5,019.61	2.000%	4,921.17	9,940.78
6/01/2003	5,044.71	2.000%	4,896.07	9,940.78
9/01/2003	5,069.93	2.000%	4,870.85	9,940.78
12/01/2003	5,095.28	2.000%	4,845.50	9,940.78
3/01/2004	5,120.76	2.000%	4,820.02	9,940.78
6/01/2004	5,146.36	2.000%	4,794.42	9,940.78
9/01/2004	5,172.09	2.000%	4,768.68	9,940.77
12/01/2004	5,197.95	2.000%	4,742.82	9,940.77
3/01/2005	5,223.94	2.000%	4,716.83	9,940.77
6/01/2005	5,250.06	2.000%	4,690.72	9,940.78
9/01/2005	5,276.31	2.000%	4,664.46	9,940.77
12/01/2005	5,302.69	2.000%	4,638.08	9,940.77
3/01/2006	5,329.21	2.000%	4,611.57	9,940.78
6/01/2006	5,355.85	2.000%	4,584.92	9,940.77
9/01/2006	5,382.63	2.000%	4,558.14	9,940.77
12/01/2006	5,409.55	2.000%	4,531.23	9,940.78
3/01/2007	5,436.59	2.000%	4,504.18	9,940.77
6/01/2007	5,463.78	2.000%	4,477.00	9,940.78
9/01/2007	5,491.10	2.000%	4,449.68	9,940.78
12/01/2007	5,518.55	2.000%	4,422.23	9,940.78
3/01/2008	5,546.14	2.000%	4,394.63	9,940.77
6/01/2008	5,573.87	2.000%	4,366.90	9,940.77
9/01/2008	5,601.74	2.000%	4,339.03	9,940.77
12/01/2008	5,629.75	2.000%	4,311.02	9,940.77
3/01/2009	5,657.90	2.000%	4,282.88	9,940.78
6/01/2009	5,686.19	2.000%	4,254.59	9,940.78
9/01/2009	5,714.62	2.000%	4,226.16	9,940.78

Ferris, Baker Watts, Inc.
Public Finance Department

FILE = LOGANPSD-Logan PSD 31497- SINGLE PURPOSE
3/20/1997 10:05 AM

Logan County Public Service District, WV
Harts Creek Water Project
\$1,075,000 Infrastructure Fund Loan
40 years, 2% interest rate
DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2009	5,743.19	2.000%	4,197.58	9,940.77
3/01/2010	5,771.91	2.000%	4,168.87	9,940.78
6/01/2010	5,800.77	2.000%	4,140.01	9,940.78
9/01/2010	5,829.77	2.000%	4,111.00	9,940.77
12/01/2010	5,858.92	2.000%	4,081.85	9,940.77
3/01/2011	5,888.22	2.000%	4,052.56	9,940.78
6/01/2011	5,917.66	2.000%	4,023.12	9,940.78
9/01/2011	5,947.25	2.000%	3,993.53	9,940.78
12/01/2011	5,976.98	2.000%	3,963.79	9,940.77
3/01/2012	6,006.87	2.000%	3,933.91	9,940.78
6/01/2012	6,036.90	2.000%	3,903.87	9,940.77
9/01/2012	6,067.09	2.000%	3,873.69	9,940.78
12/01/2012	6,097.42	2.000%	3,843.35	9,940.77
3/01/2013	6,127.91	2.000%	3,812.87	9,940.78
6/01/2013	6,158.55	2.000%	3,782.23	9,940.78
9/01/2013	6,189.34	2.000%	3,751.44	9,940.78
12/01/2013	6,220.29	2.000%	3,720.49	9,940.78
3/01/2014	6,251.39	2.000%	3,689.39	9,940.78
6/01/2014	6,282.65	2.000%	3,658.13	9,940.78
9/01/2014	6,314.06	2.000%	3,626.72	9,940.78
12/01/2014	6,345.63	2.000%	3,595.15	9,940.78
3/01/2015	6,377.36	2.000%	3,563.42	9,940.78
6/01/2015	6,409.25	2.000%	3,531.53	9,940.78
9/01/2015	6,441.29	2.000%	3,499.49	9,940.78
12/01/2015	6,473.50	2.000%	3,467.28	9,940.78
3/01/2016	6,505.87	2.000%	3,434.91	9,940.78
6/01/2016	6,538.39	2.000%	3,402.38	9,940.77
9/01/2016	6,571.09	2.000%	3,369.69	9,940.78
12/01/2016	6,603.94	2.000%	3,336.83	9,940.77
3/01/2017	6,636.96	2.000%	3,303.82	9,940.78
6/01/2017	6,670.15	2.000%	3,270.63	9,940.78
9/01/2017	6,703.50	2.000%	3,237.28	9,940.78
12/01/2017	6,737.02	2.000%	3,203.76	9,940.78
3/01/2018	6,770.70	2.000%	3,170.08	9,940.78
6/01/2018	6,804.55	2.000%	3,136.22	9,940.77
9/01/2018	6,838.58	2.000%	3,102.20	9,940.78
12/01/2018	6,872.77	2.000%	3,068.01	9,940.78
3/01/2019	6,907.13	2.000%	3,033.64	9,940.77
6/01/2019	6,941.67	2.000%	2,999.11	9,940.78
9/01/2019	6,976.38	2.000%	2,964.40	9,940.78
12/01/2019	7,011.26	2.000%	2,929.52	9,940.78
3/01/2020	7,046.32	2.000%	2,894.46	9,940.78
6/01/2020	7,081.55	2.000%	2,859.23	9,940.78
9/01/2020	7,116.95	2.000%	2,823.82	9,940.77
12/01/2020	7,152.54	2.000%	2,788.24	9,940.78
3/01/2021	7,188.30	2.000%	2,752.47	9,940.77
6/01/2021	7,224.24	2.000%	2,716.53	9,940.77

Logan County Public Service District, WV
Harts Creek Water Project
\$1,075,000 Infrastructure Fund Loan
40 years, 2% interest rate
DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
9/01/2021	7,260.36	2.000x	2,680.41	9,940.77
12/01/2021	7,296.67	2.000x	2,644.11	9,940.78
3/01/2022	7,333.15	2.000x	2,607.63	9,940.78
6/01/2022	7,369.82	2.000x	2,570.96	9,940.78
9/01/2022	7,406.66	2.000x	2,534.11	9,940.77
12/01/2022	7,443.70	2.000x	2,497.08	9,940.78
3/01/2023	7,480.92	2.000x	2,459.86	9,940.78
6/01/2023	7,518.32	2.000x	2,422.46	9,940.78
9/01/2023	7,555.91	2.000x	2,384.86	9,940.77
12/01/2023	7,593.69	2.000x	2,347.08	9,940.77
3/01/2024	7,631.66	2.000x	2,309.12	9,940.78
6/01/2024	7,669.82	2.000x	2,270.96	9,940.78
9/01/2024	7,708.17	2.000x	2,232.61	9,940.78
12/01/2024	7,746.71	2.000x	2,194.07	9,940.78
3/01/2025	7,785.44	2.000x	2,155.33	9,940.77
6/01/2025	7,824.37	2.000x	2,116.41	9,940.78
9/01/2025	7,863.49	2.000x	2,077.29	9,940.78
12/01/2025	7,902.81	2.000x	2,037.97	9,940.78
3/01/2026	7,942.32	2.000x	1,998.45	9,940.77
6/01/2026	7,982.03	2.000x	1,958.74	9,940.77
9/01/2026	8,021.95	2.000x	1,918.83	9,940.78
12/01/2026	8,062.05	2.000x	1,878.72	9,940.77
3/01/2027	8,102.37	2.000x	1,838.41	9,940.78
6/01/2027	8,142.88	2.000x	1,797.90	9,940.78
9/01/2027	8,183.59	2.000x	1,757.19	9,940.78
12/01/2027	8,224.51	2.000x	1,716.27	9,940.78
3/01/2028	8,265.63	2.000x	1,675.15	9,940.78
6/01/2028	8,306.96	2.000x	1,633.82	9,940.78
9/01/2028	8,348.49	2.000x	1,592.28	9,940.77
12/01/2028	8,390.24	2.000x	1,550.54	9,940.78
3/01/2029	8,432.19	2.000x	1,508.59	9,940.78
6/01/2029	8,474.35	2.000x	1,466.43	9,940.78
9/01/2029	8,516.72	2.000x	1,424.06	9,940.78
12/01/2029	8,559.30	2.000x	1,381.47	9,940.77
3/01/2030	8,602.10	2.000x	1,338.68	9,940.78
6/01/2030	8,645.11	2.000x	1,295.67	9,940.78
9/01/2030	8,688.34	2.000x	1,252.44	9,940.78
12/01/2030	8,731.78	2.000x	1,209.00	9,940.78
3/01/2031	8,775.44	2.000x	1,165.34	9,940.78
6/01/2031	8,819.32	2.000x	1,121.46	9,940.78
9/01/2031	8,863.41	2.000x	1,077.37	9,940.78
12/01/2031	8,907.73	2.000x	1,033.05	9,940.78
3/01/2032	8,952.27	2.000x	988.51	9,940.78
6/01/2032	8,997.03	2.000x	943.75	9,940.78
9/01/2032	9,042.01	2.000x	898.76	9,940.77
12/01/2032	9,087.22	2.000x	853.55	9,940.77
3/01/2033	9,132.66	2.000x	808.12	9,940.78

Logan County Public Service District, WV
Harts Creek Water Project
\$1,075,000 Infrastructure Fund Loan
40 years, 2% interest rate
DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
6/01/2033	9,178.32	2.000%	762.45	9,940.77
9/01/2033	9,224.21	2.000%	716.56	9,940.77
12/01/2033	9,270.34	2.000%	670.44	9,940.78
3/01/2034	9,316.69	2.000%	624.09	9,940.78
6/01/2034	9,363.27	2.000%	577.51	9,940.78
9/01/2034	9,410.09	2.000%	530.69	9,940.78
12/01/2034	9,457.14	2.000%	483.64	9,940.78
3/01/2035	9,504.42	2.000%	436.35	9,940.77
6/01/2035	9,551.95	2.000%	388.83	9,940.78
9/01/2035	9,599.71	2.000%	341.07	9,940.78
12/01/2035	9,647.70	2.000%	293.07	9,940.77
3/01/2036	9,695.94	2.000%	244.83	9,940.77
6/01/2036	9,744.42	2.000%	196.35	9,940.77
9/01/2036	9,793.14	2.000%	147.63	9,940.77
12/01/2036	9,842.11	2.000%	98.67	9,940.78
3/01/2037	9,891.32	2.000%	49.46	9,940.78
TOTAL	1,075,000.00	-	475,761.21	1,550,761.21

YIELD STATISTICS

Bond Year Dollars.....	\$23,788.06
Average Life.....	22.128 Years
Average Coupon.....	2.0000000%
Net Interest Cost (NIC).....	2.0000000%
True Interest Cost (TIC).....	2.0050000%
Bond Yield for Arbitrage Purposes.....	2.0050000%
All Inclusive Cost (AIC).....	2.0050000%
IRS FORM 8038	
Net Interest Cost.....	2.0000000%
Weighted Average Maturity.....	22.128 Years

Ferris, Baker Watts, Inc. FILE = LOGANPSD-Logan PSD 31497- SINGLE PURPOSE
Public Finance Department 3/20/1997 10:05 AM

**\$1,075,000 LOGAN COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS (HARTS CREEK PROJECT), SERIES 1997 B**

BOND RESOLUTION

**\$1,075,000 LOGAN COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS (HARTS CREEK PROJECT), SERIES 1997 B**

BOND RESOLUTION

Table of Contents

<u>Subject</u>	<u>Page</u>
ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	
Section 1.01	Definitions
Section 1.02	Authority for this Resolution
Section 1.03	Findings
Section 1.04	Resolution Constitutes Contract
	1 10 10 12
ARTICLE II - AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT	
Section 2.01	Authorization of Construction and Acquisition of the Project
	14
ARTICLE III - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT	
Section 3.01	Authorization of Bonds
Section 3.02	Terms of Bonds
Section 3.03	Additional Terms of Series 1997 B Bonds
Section 3.04	Execution of Bonds
Section 3.05	Authentication and Registration
Section 3.06	Negotiability, Transfer and Registration
Section 3.07	Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.08	Bonds not to be Indebtedness of the Issuer
Section 3.09	Bonds Secured by Pledge of Net Revenues
Section 3.10	Form of Bonds
	15 15 15 16 16 16 17 17 17 18

<u>Subject</u>	<u>Page</u>
Section 3.11	Sale of Bonds; Ratification and Execution of Loan Agreement with Authority
Section 3.12	"Amended Schedule A"
	26
	26
ARTICLE IV - [RESERVED]	
ARTICLE V - SYSTEM REVENUES AND APPLICATION THEREOF	
Section 5.01	Establishment of Funds and Accounts with Depository Bank
Section 5.02	Establishment of Funds and Accounts with Commission
Section 5.03	System Revenues; Flow of Funds
	28
	28
	28
ARTICLE VI - APPLICATION OF BONDS PROCEEDS	
Section 6.01	Application of Bonds Proceeds; Pledge of Unexpended Bonds Proceeds
Section 6.02	Disbursements to and from the Construction Trust Fund
Section 6.03	Excess Bond Proceeds
	33
	33
	34
ARTICLE VII - ADDITIONAL COVENANTS OF THE ISSUER	
Section 7.01	General Covenants of the Issuer
Section 7.02	Bonds, Not to be Indebtedness of the Issuer
Section 7.03	Bonds Secured by Pledge of Net Revenues; Lien Position
Section 7.04	Initial Schedule of Rates and Charges
Section 7.05	Real Estate and Real Estate Interests
Section 7.06	Sale of the System
Section 7.07	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances
Section 7.08	Parity Bonds
Section 7.09	Books; Records and Facilities
Section 7.10	Rates
Section 7.11	Operating Budget and Audit
	35
	35
	35
	35
	35
	36
	37
	37
	39
	41
	41

<u>Subject</u>	<u>Page</u>
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 43
Section 7.16	Engineering Services and Operating Personnel 43
Section 7.17	Completion of Project; Permits and Orders 44
Section 7.18	Reserved 44
Section 7.19	Tax Covenants 44
Section 7.20	Statutory Mortgage Lien 45
Section 7.21	Compliance with Loan Agreement and Law 45
Section 7.22	PSC Order 45
 ARTICLE VIII - INVESTMENT OF FUNDS; NON ARBITRAGE	
Section 8.01	Investments 46
Section 8.02	Arbitrage 46
Section 8.03	Rebate of Excess Investment Earnings to the United States 47
 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 53
 ARTICLE XI - MISCELLANEOUS	
Section 11.01	Amendment or Modification of Resolution 54
Section 11.02	Resolution Constitutes Contract 54
Section 11.03	Severability of Invalid Provisions 54
Section 11.04	Headings, Etc. 54
Section 11.05	Conflicting Provisions Repealed; Prior Resolutions 54
Section 11.06	Covenant of Due Procedure, Etc. 54
Section 11.07	Effective Date 55
EXHIBIT A --	Description of Project
EXHIBIT B --	Schedule of Rates

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF LOGAN COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,075,000 IN AGGREGATE PRINCIPAL AMOUNT OF LOGAN COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS (HARTS CREEK PROJECT), SERIES 1997 B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF LOGAN COUNTY PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

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

"Board" or "Governing Body" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal

successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

"Bondholders" "Holder of the Bonds," "Holder," "Registered Owner," "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 Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

"Bonds" means the Series 1997 B Bonds originally authorized hereby, the Prior Bonds and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution or another resolution.

"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.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bonds in substantially the form set forth in the Bond Forms contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing more than a de minimus amount of the purchase price of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Logan County Harts Creek Construction Account established by Section 5.01(3).

"Consulting Engineer" or "Consulting Engineers" means Haworth, Meyer & Boleyn, Inc., or the Managing Engineer.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.03G hereof to be a part of the cost of construction and acquisition of the Project.

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

"Council Act" means Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended and in effect on the date of the adoption of this Resolution.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1997 B Bonds, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment.

"Depository Bank" means a bank or banks eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as designated as such in the Supplemental Resolution as hereinafter defined.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 1997 B Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series 1997 B Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

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

"Grant Agreement" means a written commitment for the payment of the Grant or any of the Other Grants, as hereinafter defined, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer; provided that, "SCBG Grant Agreement" means only the Grant Agreement relating to the SCBG Grant.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant to pay Costs of the Project; provided that "SCBG Grant Receipts" means only the SCBG Grant Receipts on account of any or all of the SCBG.

"Grant" or "Grants" Small Cities Block Grant.

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 1997 B Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 1997 B Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 1997 B Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which

are deemed to become proceeds of the Series 1997 B Bonds ratably as original proceeds of the Series 1997 B Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Series 1997 B Bonds, which are held in any fund to the extent that the Issuer reasonably expects to use such other fund to pay Debt Service;

(v) Amounts in the Series 1997 B Bonds and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 1997 B Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1997 B Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

"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 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 or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" means the Logan County Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means the Loan Agreement or Loan Agreements to be entered into between the Authority and the Issuer, pursuant to which the Authority shall agree, subject to the Issuer's satisfying certain engineering, legal and other requirements, to purchase the Series 1997 B Bonds.

"Managing Engineer" means the managing engineer of the Issuer or any successor thereto.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 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 1997 B Bonds and is not acquired in order to carry out the governmental purpose of the Series 1997 B Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined 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 of Project, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent, other than those capitalized as part of the Costs of Project, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents, notices 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 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the Issuer's Water Revenue Bonds (Cow Creek Project), Series 1996 B, issued in the original aggregate amount of \$1,980,000; the Issuer's Water Refunding and Improvement Revenue Bonds, Series 1996 C, issued in the original aggregate amount of \$3,855,652; and the Issuer's Water Revenue Bonds (Whitman Creek Project), Series 1997 A, issued in the original aggregate amount of \$1,000,000.

"Prior Resolutions" means resolutions of the Issuer authorizing the Prior Bonds adopted on July 30, 1996, October 10, 1996 and February 6, 1997.

"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.

"Project" means the acquisition and construction of the water distribution system by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

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

"PSC Order" means the Recommended Decision of the PSC in Case No. 96-1295-PWD-CN which was entered and became the Final Order on March 16, 1997.

"Purchase Price," for the purpose of computation of the Yield of the Series 1997 B 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 1997 B 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 1997 B Bonds of each maturity is sold or, if the Series 1997 B Bonds are privately placed, the price paid by the first buyer of the Series 1997 B Bonds or the acquisition costs 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 1997 B Bonds for acquisition thereof or, if later, on the date

that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1997 B Bonds.

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

(a) Government Obligations;

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

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

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

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

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

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

(h) Advance-Refunded Municipal Bonds.

"Rebate Fund" means the fund created pursuant to Section 8.02 hereof.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Resolutions and referenced in Section 5.01(2).

"Resolution" means this resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established by the Prior Resolutions and referenced in Section 5.01(1).

"SCBG Grant" means the Small Cities Block Grant in the amount of \$1,250,000.

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

"Series 1997 B Bonds" means the not more than \$1,075,000 in aggregate principal amount of Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B, of the Issuer originally authorized hereby.

"Series 1997 B Bonds Reserve Account" means the Series 1997 B Bonds Reserve Account established in the Series 1997 B Bonds Sinking Fund pursuant to Section 5.02(1)(a).

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

"Series 1997 B Bonds Sinking Fund" means Series 1997 B Bonds Sinking Fund established by Section 5.02(1).

"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 authorizing the sale of the Series 1997 B Bonds to the Original Purchaser provided, that any provisions 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, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the complete waterworks system of the Issuer, and any further improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 1997 B Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

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

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

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

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

A. The Issuer is a public corporation and political subdivision of the State located in Logan, Lincoln and Wyoming Counties, West Virginia and presently owns and operates a public water distribution system. Certain areas of the Issuer are currently without public water service and it is deemed necessary and desirable for the health and welfare of

the inhabitants of the Issuer that there be constructed certain extensions and improvements to the System of the Issuer, consisting of the Project under the plans and specifications prepared by the Consulting Engineer, which plans and specifications have heretofore been filed with the Issuer.

B. The Council has approved the Project and has authorized the Authority to make a loan to the Issuer in an amount not to exceed \$1,075,000.

C. The Issuer has entered or will enter into the Loan Agreement to provide the funding for the Project.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Prior Bonds, the Series 1997 B Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the construction and acquisition of the Project is \$2,325,000, of which approximately \$1,075,000 will be permanently obtained from the Bonds herein authorized and the remainder to be obtained from the SCBG Grant. The Issuer may obtain grants and contributions as may be necessary to pay Cost of Project.

F. There are outstanding obligations of the Issuer which will rank on parity with the Series 1997 B Bonds as to liens, pledge, and source of and security for payment, which obligations are designated and have the lien positions with respect to the Series 1997 B Bonds as follows:

<u>Designation</u>	<u>Lien Position</u>
Water Revenue Bonds (Cow Creek Project), Series 1996 B, dated July 31, 1996, issued in the original aggregate principal amount of \$1,980,000 (the "Series 1996 B Bonds");	First Lien
Water Refunding and Improvement Revenue Bonds, Series 1996 C, dated October 29, 1996, issued in the original aggregate principal amount of \$3,855,652 (the "Series 1996 C Bonds"); and	First Lien
Water Revenue Bonds (Whitman Creek Project), Series 1997 A, dated February 12, 1997, issued in the original aggregate principal amount of \$1,000,000 (the "Series 1997 A Bonds").	First Lien

The Series 1996 B Bonds, the Series 1996 C Bonds and the Series 1997 A Bonds are hereinafter collectively called the "Prior Bonds."

The Series 1997 B Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of bonds on a parity with the Prior Bonds and the resolutions authorizing the Prior 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. The Issuer has also obtained the consent of the Owners of the Prior Bonds to the issuance of the Series 1997 B Bonds on a parity with the Prior 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.

G. It is deemed necessary for the Issuer to issue its revenue bonds, being the Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B in the aggregate principal amount of not more than \$1,075,000 to permanently finance the cost 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; amounts which may be deposited in the Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues and for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized and the placing of the 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.

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

I. It is in the best interests of the Issuer that the Series 1997 B Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

J. 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 Series 1997 B Bonds, or will have so complied prior to issuance of any Series 1997 B Bonds, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which expired or the rights of all parties to appeal have been waived.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the

Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of any and all of such Bonds of like series.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

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

There is hereby authorized the construction and acquisition of the Project in accordance with the plans and specifications which have been prepared at the direction of the Consulting Engineers and heretofore filed in the office of the Governing Body. The proceeds of the Series 1997 B Bonds hereby authorized and shall be applied as provided in Article VI hereof.

The Issuer will enter into contracts for the acquisition and construction of the Project simultaneously with the closing of the Series 1997 B Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of paying the costs of the Project, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer. Said Bonds shall be issued in one series, to be designated respectively "Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B," in the aggregate principal amount of not more than \$1,075,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Construction Trust Fund established by Section 5.01(3) hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution. The 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 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 this Resolution or the Supplemental Resolution, the Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in this Resolution. The Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Additional Terms of Series 1997 B Bonds. In addition to the terms set forth in Sections 3.01 and 3.02 hereof and in anticipation of the sale of the Series

1997 B Bonds to the Authority, the Issuer covenants that the Series 1997 B Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority authorizing the issuance of Series 1997 B Bonds.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairperson, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed 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 3.05. 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 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 Resolution. 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 3.06. 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, and each successive Registered Owner 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 Registered Owner 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 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 the Bonds or transferring the Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this

Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other 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 obligated to make any such exchange or transfer of Bonds during the period commencing on the fifteenth day of the month preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.07. 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 proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.08. 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 and amounts, if any, in the Reserve Account. No Holder or Holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Series 1997 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on parity with the lien on the Net Revenues in favor of the holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1997 B Bonds and the Prior Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Renewal and Replacement Fund hereinafter established and established in the Prior Resolutions, are hereby irrevocably pledged to the payment of the principal of and interest on the Prior Bonds and the Series 1997 B Bonds as the same become due.

Section 3.10. Form of Bonds. The text of the Series 1997 B Bonds 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 Bonds]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LOGAN COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BOND (HARTS CREEK PROJECT), SERIES 1997 B

No. BR-1

\$1,075,000

KNOW ALL MEN BY THESE PRESENTS: That LOGAN COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Logan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of One Million Dollars (\$1,075,000) or such lesser amount as is set forth on the Record of Advances, attached hereto as Exhibit A and incorporated herein by reference, in installments on the 1st day of September, the 1st day of December, the 1st day of March and the 1st day of June in each year beginning June 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of two percent (2%) per annum set forth on said Exhibit B.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority dated March 25, 1997.

This Bond is issued in the original principal amount of \$1,075,000 (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing waterworks system 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 Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on March 20, 1997, and a Supplemental Resolution duly adopted by the Issuer on March 20, 1997 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution

provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND RANKS EQUALLY AS TO LIEN AND SECURITY WITH THE ISSUER'S WATER REVENUE BONDS (COW CREEK PROJECT), SERIES 1996 B, ISSUED IN THE ORIGINAL AGGREGATE AMOUNT OF \$1,980,000, WATER REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 1996 C ISSUED IN THE ORIGINAL AGGREGATE AMOUNT OF \$3,855,652 AND WATER REVENUE BONDS (WHITMAN CREEK PROJECT) SERIES 1997 A, ISSUED IN THE ORIGINAL AGGREGATE AMOUNT OF \$1,000,000 (COLLECTIVELY, THE "PRIOR BONDS").

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 lien of the Prior Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1997 B Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside in a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 B Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Series 1997 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Series 1997 B Bonds, including the Prior Bonds, provided however, that so long as the Series 1997 B Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 B Bonds, including the Prior Bonds, is funded at 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 Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Registrar by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this

Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

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

On January 1, 1998, if the amount set forth on the Record of Advances is less than \$1,075,000, the Authority shall upon written instruction of the Council revise Exhibit B to reflect the lesser amount but amortized at the same interest rate and quarterly payment amount.

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

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

IN WITNESS WHEREOF, LOGAN COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated March 25, 1997.

[SEAL]

Chairperson

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: March 25, 1997

BANK ONE, WEST VIRGINIA, NATIONAL
ASSOCIATION, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

Amount		Date	Amount		Date
(1)	\$58,903.60	March 25, 1997	(7)		\$
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	
Total \$ _____					

EXHIBIT B

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 said Bond on the books kept for registration thereof with full
power of substitution in the premises.

Dated: _____, ____.

In the presence of:

Section 3.11. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority. The Series 1997 B Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.12. "Amended Schedule A". 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

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 (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 Prior Resolutions);
- (2) Renewal and Replacement Fund (established by Prior Resolutions);
- (3) 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 established with the Commission:

- (1) Series 1997 B Bonds Sinking Fund;

(a) Within the Series 1997 B Bonds Sinking Fund, the Series 1997 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund created pursuant to Sections 5.03 and 5.04 of the Prior Resolutions. 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 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 and simultaneously with the transfers required by Sections 5.03(A)(2), 5.04(A)(2) and 5.04A(2), respectively, of the Prior Resolutions, commencing 4 months prior to the first date of payment of interest on the Series 1997 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1997 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on said Series 1997 B Bonds on the next ensuing quarterly interest payment date; provided, that, in the event the period

to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly interest payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly 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 and without distinction or priority between the payments and simultaneously with the transfers required by Sections 5.03(A)(3), 5.04(A)(3) and 5.04A(3), respectively, of the Prior Resolutions, commencing 4 months prior to the first date of payment of principal on the Series 1997 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next and simultaneously with the transfer required by Sections 5.03(A)(4), 5.04(A)(4) and 5.04A(4), respectively, of the Prior Resolutions, on the first day of each month and without distinction of priority between the two payments, commencing 4 months prior to the first date of payment of principal of the Series 1997 B Bonds, if not fully funded upon issuance of the Series 1997 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1997 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1997 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 B Bonds Reserve Requirement.

(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 Project, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Series 1997 B Bonds Reserve Account but inclusive of the transfers required by Sections 5.03(A)(5), 5.04(A)(5) and 5.04A(5), respectively, of the Prior Resolutions. 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 the Series 1997 B 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.

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

All investment earnings on moneys in the Series 1997 B Bonds Sinking Fund and Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited for use in the Earnings Fund as required by Section 8.03.

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

As and when additional Bonds ranking on a parity with the Series 1997 B Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay any interest on such Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in an amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Series 1997 B Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

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 Resolution.

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 Parity Bonds 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 Excess Revenues. Excess Revenues may be used for any lawful purpose of the System.

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

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

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Reserve Accounts have not, as of such date, funded such account to the requirement therefor.

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 Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and used for any lawful purpose of the System.

ARTICLE VI

APPLICATION OF BONDS PROCEEDS

Section 6.01. Application of Bonds Proceeds; Pledge of Unexpended Bonds Proceeds. Moneys received from time to time from the sale of the Series 1997 B Bonds shall be deposited with the Depository Bank in the Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Construction Trust Fund set forth in this Resolution. Moneys in the 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 respective series of Bonds.

Section 6.02. Disbursements to and from the Construction Trust Fund. Monthly, the Issuer shall provide the Council with a requisition for Costs incurred for the Project with such documentation as the Council shall from time to time require. Upon receipt of proceeds from the Authority, the Issuer shall deposit the proceeds in the Construction Trust Fund and pay any approved costs. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Construction Trust Fund (except for the costs of issuance of the Bonds originally authorized hereby, 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 Engineer, stating:

- (A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;
- (B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;
- (C) That each of such costs has been otherwise properly incurred;
and
- (D) That payment for each of the items proposed is then due and owing.

The Depository Bank shall not be required to monitor the application of disbursements from the Construction Trust Fund.

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

Section 6.03. Excess Bond Proceeds. Upon completion of the Project, any Series 1997 B Bonds proceeds not required for Project Costs shall be allocated at the direction of the Authority and Council.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Bonds, as hereinafter provided in this Article 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 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 Resolution. No Holder or Holders of any Bonds, shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues: Lien Position. The payment of the debt service of the Series 1997 B Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on parity with the lien on said Net Revenues in favor of the holders of the Prior Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in this Resolution and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in this Resolution.

Section 7.04. Initial Schedule of Rates and Charges. The schedule of rates and charges for the services and facilities of the System shall be as set forth, described in and ordered by the PSC Order, which schedule of rates is attached as Exhibit B hereto.

The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay the Operating Expenses of the System and to make the prescribed payments into the funds and accounts 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.

Section 7.05. Real Estate and Real Estate Interests. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer, subject to any

mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority.

Section 7.06. Sale of the System. Except as otherwise required by law and as long as the Prior Bonds are outstanding, 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 or redeem at or prior to maturity all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof and to pay the Series 1997 B Bonds and the Prior Bonds in full. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Series 1997 B Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Series 1997 B 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, in writing, determine upon consultation with the Managing Engineer 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, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The 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 or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds (66 2/3%) in amount of the Bonds then Outstanding and the Managing Engineer. 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 7.07. 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 Parity Bonds may be issued as provided for in Section 7.08 hereof and in the Prior Resolutions (so long as the Prior Bonds are Outstanding). All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required by the Prior Resolutions and 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 respective liens of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.08. Parity Bonds. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided and in the Prior Resolutions so long as the Prior Bonds are outstanding.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1997 B Bonds. The prior written consent of the Authority and Council must be received prior to the issuance of any Parity Bonds.

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

As long as the Prior Bonds are Outstanding, the Issuer must comply with the terms of Sections 7.08 and 7.07 of the Prior Resolutions when issuing bonds on a parity with the Series 1997 B Bonds and must deliver a copy of the certificate required by the Prior Resolutions before issuing such parity bonds.

After the Prior Bonds are no longer 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, based upon the necessary investigation and certification by the Managing Engineer, 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 three 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, including, without limitation, the Prior Bonds;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the three 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 any increase in rates adopted by the Issuer and approved by the PSC, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Managing Engineer, 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 Managing Engineer and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Managing Engineer and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer and approved by the PSC, 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 Series 1997 B Bonds and the Holders of any Parity Bonds 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 respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. 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 the revenues of the System is subject to the prior and superior liens of the Outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1997 B Bonds.

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

Section 7.09. Books; Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority, acting by and through its Director, or his duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Issuer shall submit to the Authority such documents and information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the Loan or any State and federal grants or other sources of financing for the Project.

The Issuer shall permit the Authority and its agents and representatives to have access to the records pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of

operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

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

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

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

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

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

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

Section 7.10. Rates. Approvals of equitable rates or charges for the use of and service rendered by the System have been obtained 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 reasonable expenses of operation, repair and maintenance of the System, including any reserves required by the PSC Order or any supplement or amendment thereto and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the 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 Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirement are on deposit respectively in the Reserve Account and reserve accounts for obligations prior to or on a parity with the Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds.

Section 7.11. Operating Budget and Audit. The Issuer shall annually, at least 30 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 thirty days of the 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 the Managing 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 the Managing 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 who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him 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 of any Bonds.

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 the Act, this Bond Resolution and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's operation and maintenance expenses and debt service requirements.

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 and Council by the 15th day of each month.

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

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

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 PSC, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. 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. Such charges shall be paid as they accrue and the issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. 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. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by Issuer, the Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a 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 prime contractor and all subcontractors, as their interests may appear, in accordance with the Loan Agreement. The Issuer shall require that each contractor furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in this Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority, including but not limited to flood insurance in accordance with the Loan Agreement, to the extent available at reasonable cost to the Issuer. Prior to commencing operation of the Project, the Issuer must also obtain, and maintain so long as any of the Local Bonds is outstanding, business interruption insurance if available at a reasonable cost.

Section 7.16. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Managing Engineer in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance

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

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

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

Section 7.17. Completion of Project; Permits and Orders. The Issuer hereby covenants and agrees to complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all applicable laws, rules and regulations issued by the Council, the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

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

Section 7.18. Reserved.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as 'private activity bonds' within the meaning of the Code. The Issuer will take

all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

C. **PRIVATE LOAN LIMITATION.** The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1997 B Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

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

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

Section 7.20. 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, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Registered Owners of Bonds which lien is on a parity with the lien of the Prior Bonds.

Section 7.21. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all terms and conditions of the Loan Agreement. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority or other state, federal or local bodies in regard to the purchase and acquisition of the Project and the operation, maintenance and use of the System.

Section 7.22. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once a year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records relating thereto so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of intent on the Bonds from gross income for Federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1997 B Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Series 1997 B Bonds so that the Series 1997 B Bonds will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds so that the interest on the Series 1997 B 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. Rebate of Excess Investment Earnings to the United States. A. **CREATION OF FUNDS.** There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Series 1997 B Bonds, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than \$100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code or the Loan Agreement, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

B. **DUTIES OF ISSUER IN GENERAL.** The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. **CALCULATION OF EXCESS INVESTMENT EARNINGS.** Within 15 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 15 days following the last day of each Bond Year and within 15 days following the date of the retirement of the Series 1997 B Bonds, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made and/or monitored by the Issuer or the Authority, in its sole discretion, in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss

realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Series 1997 B Bonds shall be determined based on the actual Yield of the Series 1997 B Bonds and during the period between the Closing Date for the Series 1997 B Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Series 1997 B Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than \$100,000.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Series 1997 B Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment 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 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 by this Subsection D, 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 the event the Issuer fails to make any such rebates as required, the Issuer shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

E. **FURTHER OBLIGATIONS OF ISSUER.** The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. **MAINTENANCE OF RECORDS.** The Issuer shall keep, and retain for a period of six years following the retirement of the Series 1997 B Bonds, records of the determinations made pursuant to this Section 8.03.

G. **INDEPENDENT CONSULTANTS.** In order to provide for the administration of this Section 8.03, 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.

H. **FURTHER AGREEMENT.** Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

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

J. AMENDMENTS TO THIS SECTION. Notwithstanding any of the provisions herein to the contrary, the Issuer agrees to amend the provisions of this Section from time to time at the direction of the Authority in order to insure continuing compliance with Section 8.02 hereof.

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 Bonds:

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Resolution, 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 Commission, the Depository Bank, the Bond Registrar, any Paying Agent or a Holder of a Bond; or

(3) If a default occurs under the Prior Resolutions; or

(4) 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 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, the Loan Agreement and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the 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 at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to and parity with those of the Registered Owners of the Prior 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 this Resolution and the Act, including, 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 the 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, or both, 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 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 said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

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

Such receiver, in the performance of the powers hereinabove conferred upon him, 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 Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

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

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

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds (66-2/3%) percent 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. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from the gross income of the Holders thereof.

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

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution and 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. Conflicting Provisions Repealed; Prior Resolutions. All orders or resolutions and 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 the Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

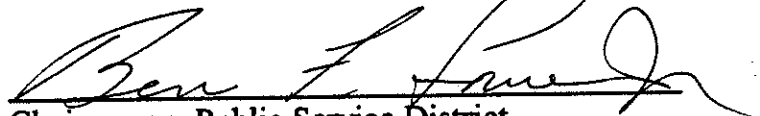
Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been

performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairperson, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

Adopted this 20th day of March, 1997.

LOGAN COUNTY PUBLIC SERVICE DISTRICT


Chairperson, Public Service District


Member, Public Service District

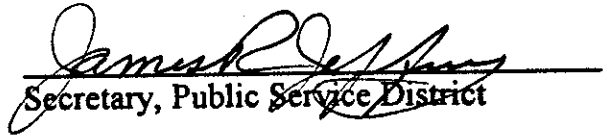
Member, Public Service District

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Logan County Public Service District on the 20th day of March, 1997.

Dated: March 25, 1997.

[SEAL]


Secretary, Public Service District

CHASFS3:62374

EXHIBIT A

PROJECT DESCRIPTION

The project consists of the construction of approximately 65,000 linear feet of 8-inch and smaller diameter distribution lines, one 300,000 gallon storage tank, 42 fire hydrants, valves, customer meters and other related appurtenances to provide potable water services in the Lincoln County areas of Upper Limestone Branch, Daisy, Toney, Green Shoals Branch, Ferrellsburg and Harts.

EXHIBIT B

SCHEDULE OF RATES

CHASFS3:62374

APPLICABILITY OF SERVICE

Applicable to all areas served by Logan County Public Service District.

AVAILABILITY OF SERVICE

Available for metered general, domestic, commercial and industrial service.

(A) **Rates**

First 2,000 gallons used per month \$6.43 per thousand gallons
Next 58,000 gallons used per month 6.16 per thousand gallons
Next 240,000 gallons used per month 4.52 per thousand gallons
Over 300,000 gallons used per month 2.33 per thousand gallons

(A) **MINIMUM CHARGE**

No bill will be rendered for less than the following amounts according to the size of the meter installed, to-wit:

5/8 Inch Meter	\$	12.86 Per Month
3/4 Inch Meter		19.29 Per Month
1 Inch Meter		32.16 Per Month
1-1/4 Inch Meter		46.95 Per Month
1-1/2 Inch Meter		64.32 Per Month
2 Inch Meter		102.90 Per Month
3 Inch Meter		192.95 Per Month
4 Inch Meter		321.58 Per Month
6 Inch Meter		643.16 Per Month
8 Inch Meter		1,029.05 Per Month

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment is not interest and is to be collected only once for each bill where it is appropriate.

RECONNECTION FEES

Service shall not be restored until all amounts in arrears, including penalties, plus the reconnection fee of Ten Dollars (\$10) have been paid.

(A) Indicates Advance

(C) SERVICE CONNECTION CHARGE (Tap Fees)

\$150.00. It shall be the responsibility of the customer to provide connection of their private service line to the meter setting.

RETURNED CHECKS FOR INSUFFICIENT FUNDS

If a check received is returned by the bank for any reason, the bank's charge to the Logan County PSD shall be the District's charge to the customer for such a bad check, but such charge to the customer shall not exceed \$15.00.

AVAILABILITY OF SERVICE

Available for private fire protection service.

RATE

Where connections, hydrants, sprinklers, etc., on property are maintained by consumer:

	PER ANNUM
2-inch service line with hydrants, sprinklers, and/or hose connections	\$ 49.60
3-inch service line with hydrants, sprinklers, and/or hose connections	\$ 112.11
4-inch service line with hydrants, sprinklers, and/or hose connections	\$ 196.39
6-inch service line with hydrants, sprinklers, and/or hose connections	\$ 497.65
8-inch service line with hydrants, sprinklers, and/or hose connections	\$ 816.07
10-inch service line with hydrants, sprinklers, and/or hose connections	\$1,447.50
12-inch service line with hydrants, sprinklers, and/or hose connections	\$2,028.25

(N) INCREMENTAL COST OF WATER PURCHASED AND PRODUCED

\$1.64 M Gal. To be used to bill water for customer leaks beyond historical average usage.

(C) Indicates Change

(N) Indicates New

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE LOGAN COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS (HARTS CREEK PROJECT), SERIES 1997 B, DESIGNATING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; APPROVING THE LOAN AGREEMENT WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Logan County Public Service District (the "District") has duly and officially adopted a Bond Resolution on March 20, 1997 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF LOGAN COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,075,000 IN AGGREGATE PRINCIPAL AMOUNT OF LOGAN COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS (HARTS CREEK PROJECT), SERIES 1997 B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

WHEREAS, the Resolution provides for the issuance of the Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B (herein the "Bonds") in aggregate principal amount not to exceed \$1,075,000, all in accordance with Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into between the District and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution;

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

Section 5. The District hereby appoints and designates Bank One West Virginia, National Association, Logan, West Virginia, as Registrar for the Bonds.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bonds.

Section 7. For purposes of the Project and the Bond transaction, the District hereby appoints and designates Ben F. Lowe, Jr. as Acting Chairperson with the same powers and authorities to act as if he were the Chairperson.

Section 8. The Chairperson, Acting Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the 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 March 25, 1997.

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

Section 10. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments until further directed by the District.

Section 11. The Chairperson, Acting Chairperson, Secretary, Treasurer and Managing Engineer are hereby authorized and directed to requisition the Council for costs incurred for the Project and upon receipt of proceeds from the Authority, shall deposit the proceeds in the Bond Construction Fund and then pay any approved costs.

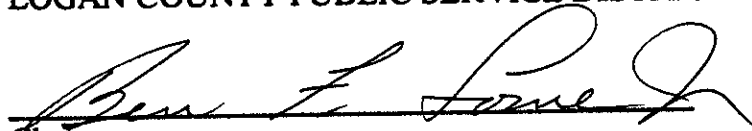
Section 12. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any 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 District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

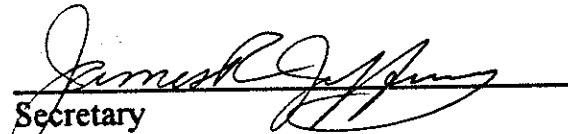
Section 12. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: March 20, 1997

LOGAN COUNTY PUBLIC SERVICE DISTRICT

[SEAL]


Chairperson


Secretary

CHASFS3:62373

LOGAN COUNTY PUBLIC SERVICE DISTRICT**\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B****CERTIFICATE OF:**

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES
6. PUBLIC SERVICE COMMISSION ORDER; RATES
7. INCUMBENCY AND OFFICIAL NAME
8. LAND AND RIGHTS-OF-WAY
9. MEETINGS
10. INSURANCE
11. LOAN AGREEMENT
12. SPECIMEN BONDS
13. CONFLICTS OF INTEREST
14. GRANTS
15. NO FEDERAL GUARANTY
16. IRS INFORMATION RETURN

We, the undersigned ACTING CHAIRPERSON and the undersigned SECRETARY of the Public Service Board of the Logan County Public Service District (herein called the "District"), and the undersigned ATTORNEY for the District, hereby certify in connection with the single, fully registered Logan County Public Service District Water Revenue Bond (Harts Creek Project), Series 1997 B, numbered BR-1, dated the date hereof, in the principal amount of \$1,075,000 (herein called the "Bonds"), the Bonds bearing interest at the rate of two percent (2%), as follows:

1. **TERMS:** All capitalized words and terms used in this Certificate and not otherwise defined shall have the same meaning as in the Bond Resolution duly adopted by the Public Service Board (the "Board") of the District on March 20, 1997 Bond a Supplemental Resolution adopted March 20, 1997 relating to the Bonds (collectively, the "Resolution"), and the Loan Agreement (the "Loan Agreement") entered into between the District and the West Virginia Water Development Authority (the "Authority"), dated March 25, 1997.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting the issuance and delivery of the Bonds; nor questioning the proceedings and authority by which the Board of the District authorized the issuance and sale of the Bonds;

The above-referenced outstanding bonds are hereinafter collectively called the "Prior Bonds."

The Series 1997 B Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The District has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the resolutions authorizing the Prior 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. The District has received a certificate of an independent certified public accountant to the effect that the parity test set forth in the resolutions authorizing the Prior Bonds has been met. Other than the Prior Bonds, there are no outstanding bonds or obligations of the District which are secured by revenues or assets of the System.

5. SIGNATURES: The undersigned Chairperson and Secretary are the duly elected or appointed, qualified and serving officers of the Public Service Board of the District as indicated by the official titles opposite their signatures below, and were duly authorized to execute and seal the Bonds for the District. The seal impressed upon the Bonds and this Certificate is the duly authorized, proper and only the seal of the District.

6. PUBLIC SERVICE COMMISSION ORDER; RATES: The undersigned Attorney hereby certifies that the District has filed information with the Public Service Commission (the "PSC") and taken all other action required to maintain the Recommended Decision which became the Final Order of the PSC issued in Case No. 96-1295-PWD-CN which grants a Certificate of Convenience and Necessity, and approves the sale of the Bonds, issued March 16, 1997, in full force and effect, and has taken all other action required by applicable law.

7. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the District is "Logan County Public Service District," and it is a public corporation organized and existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia in Logan County of said State. The governing body of the District is its Public Service Board, consisting of three (3) members, whose names and dates of commencement and termination of terms of office during these Bond proceedings are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Ann O'Briant	Chairperson	10/05/95	10/05/01
James R. Jeffrey	Secretary	01/05/96	01/05/02
Ben F. Lowe, Jr.	Acting Chairperson/ Treasurer	01/05/96	01/05/02

WITNESS our signatures and the official corporate seal of the Logan County
Public Service District as of the 25th day of March, 1997.

[SEAL]

Signature

Official Title

Ben F. Loney

Acting Chairperson

James Jeffery

Secretary

James A. Wall

Attorney

EXHIBIT A
(SPECIMEN BOND)

CHASFS3:62366

BR-1



"SPECIMEN"

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LOGAN COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BOND (HARTS CREEK PROJECT), SERIES 1997 B

No. BR-1

\$1,075,000

KNOW ALL MEN BY THESE PRESENTS: That LOGAN COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Logan County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of One Million Seventy-Five Thousand Dollars (\$1,075,000) or such lesser amount as is set forth on the Record of Advances, attached hereto as Exhibit A and incorporated herein by reference, in installments on the 1st day of September, the 1st day of December, the 1st day of March and the 1st day of June in each year beginning June 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of two percent (2%) per annum set forth on said Exhibit B.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and upon the terms and

conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority dated March 2, 1997.

"SPECIMEN"

This Bond is issued in the original principal amount of \$1,075,000 (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing waterworks system 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 Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on March 20, 1997, and a Supplemental Resolution duly adopted by the Issuer on March 20, 1997 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND RANKS EQUALLY AS TO LIEN AND SECURITY WITH THE ISSUER'S WATER REVENUE BONDS (COW CREEK PROJECT), SERIES 1996 B, ISSUED IN THE ORIGINAL AGGREGATE AMOUNT OF \$1,980,000, WATER REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 1996 C ISSUED IN THE ORIGINAL AGGREGATE AMOUNT OF \$3,855,652, AND WATER REVENUE BONDS (WHITMAN CREEK PROJECT), SERIES 1997 A, ISSUED IN THE ORIGINAL AGGREGATE AMOUNT OF \$1,000,000 (COLLECTIVELY, THE "PRIOR BONDS").

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 lien of the Prior Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1997 B Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside in a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 B Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Series 1997 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Series 1997 B Bonds, including the Prior Bonds, provided however, that so long as the Series 1997 B Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which

will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 B Bonds, including the Prior Bonds, is funded at 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 Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of Bank One, West Virginia, National Association, Logan, West Virginia (the "Registrar") by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

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

On January 1, 1998, if the amount set forth on the Record of Advances is less than \$1,075,000, the Authority shall upon written instruction of the Council revise Exhibit B to reflect the lesser amount but amortized at the same interest rate and quarterly payment amount.

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

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

IN WITNESS WHEREOF, LOGAN COUNTY PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto
affixed and attested by its Secretary, and has caused this Bond to be dated March 25, 1997.

[SEAL]

Ben
Chairperson **SPECIMEN**

ATTEST:

James
Secretary **SPECIMEN**

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: March 25, 1997

BANK ONE, WEST VIRGINIA, NATIONAL
ASSOCIATION, LOGAN, as Registrar

By

Robert L. Wines
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

"SPECIMEN"

Amount	Date	Amount	Date
(1) \$ 58,904.00	March 25, 1997	(7) \$	
(2) \$		(8) \$	
(3) \$		(9) \$	
(4) \$		(10) \$	
(5) \$		(11) \$	
(6) \$		(12) \$	

Total \$ _____

EXHIBIT B "SPECIMEN"

SCHEDULE OF ANNUAL DEBT SERVICE

Logan County Public Service District, WV Harts Creek Water Project \$1,075,000 Infrastructure Fund Loan 40 years, 2% interest rate DEBT SERVICE SCHEDULE				
Date	Principal	Coupon	Interest	Total P+I
3/01/1998	-	-	-	-
6/01/1998	4,865.78	2.000%	5,375.00	9,940.78
9/01/1998	4,588.61	2.000%	5,352.17	9,940.78
12/01/1998	4,611.65	2.000%	5,329.23	9,940.78
3/01/1999	4,634.61	2.000%	5,306.17	9,940.78
6/01/1999	4,657.78	2.000%	5,283.00	9,940.78
9/01/1999	4,681.07	2.000%	5,259.71	9,940.78
12/01/1999	4,704.47	2.000%	5,236.30	9,940.77
3/01/2000	4,728.00	2.000%	5,212.78	9,940.78
6/01/2000	4,761.64	2.000%	5,189.14	9,940.78
9/01/2000	4,775.39	2.000%	5,165.38	9,940.77
12/01/2000	4,799.27	2.000%	5,141.61	9,940.78
3/01/2001	4,823.27	2.000%	5,117.61	9,940.78
6/01/2001	4,847.38	2.000%	5,093.39	9,940.77
9/01/2001	4,871.62	2.000%	5,069.16	9,940.78
12/01/2001	4,895.98	2.000%	5,044.80	9,940.78
3/01/2002	4,920.46	2.000%	5,020.32	9,940.78
6/01/2002	4,945.06	2.000%	4,995.72	9,940.78
9/01/2002	4,969.79	2.000%	4,970.99	9,940.78
12/01/2002	4,994.64	2.000%	4,946.14	9,940.78
3/01/2003	5,019.61	2.000%	4,921.17	9,940.78
6/01/2003	5,044.71	2.000%	4,896.07	9,940.78
9/01/2003	5,069.93	2.000%	4,870.85	9,940.78
12/01/2003	5,095.28	2.000%	4,845.60	9,940.78
3/01/2004	5,120.76	2.000%	4,820.32	9,940.78
6/01/2004	5,146.36	2.000%	4,794.42	9,940.78
9/01/2004	5,172.09	2.000%	4,768.68	9,940.77
12/01/2004	5,197.95	2.000%	4,742.82	9,940.77
3/01/2005	5,223.94	2.000%	4,716.83	9,940.77
6/01/2005	5,250.06	2.000%	4,690.72	9,940.78
9/01/2005	5,276.31	2.000%	4,664.46	9,940.77
12/01/2005	5,302.69	2.000%	4,638.08	9,940.77
3/01/2006	5,329.21	2.000%	4,611.67	9,940.78
6/01/2006	5,355.85	2.000%	4,584.92	9,940.77
9/01/2006	5,382.63	2.000%	4,558.14	9,940.77
12/01/2006	5,409.55	2.000%	4,531.23	9,940.78
3/01/2007	5,436.59	2.000%	4,504.18	9,940.77
6/01/2007	5,463.78	2.000%	4,477.00	9,940.78
9/01/2007	5,491.10	2.000%	4,449.68	9,940.78
12/01/2007	5,518.65	2.000%	4,422.23	9,940.78
3/01/2008	5,546.14	2.000%	4,394.63	9,940.77
6/01/2008	5,573.87	2.000%	4,366.90	9,940.77
9/01/2008	5,601.74	2.000%	4,339.03	9,940.77
12/01/2008	5,629.75	2.000%	4,311.02	9,940.77
3/01/2009	5,657.90	2.000%	4,282.88	9,940.78
6/01/2009	5,686.19	2.000%	4,254.59	9,940.78
9/01/2009	5,714.62	2.000%	4,226.16	9,940.78

EXHIBIT B
"SPECIMEN"

SCHEDULE OF ANNUAL DEBT SERVICE

Logan County Public Service District, WV Harts Creek Water Project \$1,075,000 Infrastructure Fund Loan 40 years, 2% interest rate DEBT SERVICE SCHEDULE				
Date	Principal	Coupon	Interest	Total P+I
12/01/2009	\$,743.19	2.000%	4,197.58	9,940.77
3/01/2010	\$,771.81	2.000%	4,168.87	9,940.78
6/01/2010	\$,800.77	2.000%	4,140.81	9,940.78
9/01/2010	\$,829.77	2.000%	4,111.80	9,940.77
12/01/2010	\$,858.92	2.000%	4,081.85	9,940.77
3/01/2011	\$,888.22	2.000%	4,052.54	9,940.78
6/01/2011	\$,917.66	2.000%	4,023.12	9,940.78
9/01/2011	\$,947.25	2.000%	3,993.53	9,940.78
12/01/2011	\$,976.98	2.000%	3,963.79	9,940.77
3/01/2012	\$,006.87	2.000%	3,933.91	9,940.78
6/01/2012	\$,036.90	2.000%	3,903.87	9,940.77
9/01/2012	\$,067.09	2.000%	3,873.69	9,940.78
12/01/2012	\$,097.42	2.000%	3,843.35	9,940.77
3/01/2013	\$,127.91	2.000%	3,812.87	9,940.78
6/01/2013	\$,158.55	2.000%	3,782.23	9,940.78
9/01/2013	\$,189.34	2.000%	3,751.44	9,940.78
12/01/2013	\$,220.29	2.000%	3,720.49	9,940.78
3/01/2014	\$,251.39	2.000%	3,689.39	9,940.78
6/01/2014	\$,282.65	2.000%	3,658.13	9,940.78
9/01/2014	\$,314.06	2.000%	3,626.72	9,940.78
12/01/2014	\$,345.63	2.000%	3,595.15	9,940.78
3/01/2015	\$,377.36	2.000%	3,563.42	9,940.78
6/01/2015	\$,409.25	2.000%	3,531.53	9,940.78
9/01/2015	\$,441.29	2.000%	3,499.49	9,940.78
12/01/2015	\$,473.50	2.000%	3,467.28	9,940.78
3/01/2016	\$,505.87	2.000%	3,434.91	9,940.78
6/01/2016	\$,538.39	2.000%	3,402.38	9,940.77
9/01/2016	\$,571.09	2.000%	3,369.69	9,940.78
12/01/2016	\$,603.94	2.000%	3,336.83	9,940.77
3/01/2017	\$,636.96	2.000%	3,303.82	9,940.78
6/01/2017	\$,670.15	2.000%	3,270.63	9,940.78
9/01/2017	\$,703.50	2.000%	3,237.28	9,940.78
12/01/2017	\$,737.02	2.000%	3,203.76	9,940.78
3/01/2018	\$,770.70	2.000%	3,170.08	9,940.78
6/01/2018	\$,804.55	2.000%	3,136.22	9,940.77
9/01/2018	\$,838.58	2.000%	3,102.20	9,940.78
12/01/2018	\$,872.77	2.000%	3,068.01	9,940.78
3/01/2019	\$,907.13	2.000%	3,033.64	9,940.77
6/01/2019	\$,941.67	2.000%	2,999.11	9,940.78
9/01/2019	\$,976.38	2.000%	2,964.40	9,940.78
12/01/2019	\$,011.26	2.000%	2,929.52	9,940.78
3/01/2020	\$,046.32	2.000%	2,894.46	9,940.78
6/01/2020	\$,081.65	2.000%	2,859.23	9,940.78
9/01/2020	\$,116.95	2.000%	2,823.82	9,940.77
12/01/2020	\$,152.54	2.000%	2,788.24	9,940.78
3/01/2021	\$,188.30	2.000%	2,752.47	9,940.77
6/01/2021	\$,224.24	2.000%	2,716.53	9,940.77

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

Logan County Public Service District, WV Harts Creek Water Project \$1,075,000 Infrastructure Fund Loan 40 years, 2% interest rate DEBT SERVICE SCHEDULE				
Date	Principal	Coupon	Interest	Total P+I
9/01/2021	7,250.36	2.000%	2,680.41	9,940.77
12/01/2021	7,296.67	2.000%	2,644.11	9,940.78
3/01/2022	7,333.15	2.000%	2,607.63	9,940.78
6/01/2022	7,369.82	2.000%	2,570.96	9,940.78
9/01/2022	7,406.66	2.000%	2,534.11	9,940.77
12/01/2022	7,443.70	2.000%	2,497.08	9,940.78
3/01/2023	7,480.92	2.000%	2,459.86	9,940.78
6/01/2023	7,518.32	2.000%	2,422.46	9,940.78
9/01/2023	7,555.91	2.000%	2,384.86	9,940.77
12/01/2023	7,593.69	2.000%	2,347.08	9,940.77
3/01/2024	7,631.66	2.000%	2,309.12	9,940.78
6/01/2024	7,669.82	2.000%	2,270.96	9,940.78
9/01/2024	7,708.17	2.000%	2,232.61	9,940.78
12/01/2024	7,746.71	2.000%	2,194.07	9,940.78
3/01/2025	7,785.44	2.000%	2,155.33	9,940.77
6/01/2025	7,824.37	2.000%	2,116.41	9,940.78
9/01/2025	7,863.49	2.000%	2,077.29	9,940.78
12/01/2025	7,902.81	2.000%	2,037.97	9,940.78
3/01/2026	7,942.32	2.000%	1,998.45	9,940.77
6/01/2026	7,982.03	2.000%	1,958.74	9,940.77
9/01/2026	8,021.95	2.000%	1,918.83	9,940.78
12/01/2026	8,062.05	2.000%	1,878.72	9,940.77
3/01/2027	8,102.37	2.000%	1,838.41	9,940.78
6/01/2027	8,142.88	2.000%	1,797.90	9,940.78
9/01/2027	8,183.59	2.000%	1,757.19	9,940.78
12/01/2027	8,224.51	2.000%	1,716.27	9,940.78
3/01/2028	8,265.63	2.000%	1,675.15	9,940.78
6/01/2028	8,306.96	2.000%	1,633.82	9,940.78
9/01/2028	8,348.49	2.000%	1,592.28	9,940.77
12/01/2028	8,390.24	2.000%	1,550.54	9,940.78
3/01/2029	8,432.19	2.000%	1,508.59	9,940.78
6/01/2029	8,474.35	2.000%	1,466.43	9,940.78
9/01/2029	8,516.72	2.000%	1,424.06	9,940.78
12/01/2029	8,559.30	2.000%	1,381.47	9,940.77
3/01/2030	8,602.10	2.000%	1,338.68	9,940.78
6/01/2030	8,645.11	2.000%	1,295.67	9,940.78
9/01/2030	8,688.34	2.000%	1,252.44	9,940.78
12/01/2030	8,731.78	2.000%	1,209.00	9,940.78
3/01/2031	8,775.44	2.000%	1,165.34	9,940.78
6/01/2031	8,819.32	2.000%	1,121.46	9,940.78
9/01/2031	8,863.41	2.000%	1,077.37	9,940.78
12/01/2031	8,907.73	2.000%	1,033.05	9,940.78
3/01/2032	8,952.27	2.000%	988.51	9,940.78
6/01/2032	8,997.03	2.000%	943.75	9,940.78
9/01/2032	9,042.01	2.000%	898.76	9,940.77
12/01/2032	9,087.22	2.000%	853.55	9,940.77
3/01/2033	9,132.66	2.000%	808.12	9,940.78

"SPECIMEN"
EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

Logan County Public Service District, WY Harts Creek Water Project \$1,075,000 Infrastructure Fund Loan 40 years, 2% interest rate DEBT SERVICE SCHEDULE				
Date	Principal	Coupon	Interest	Total P+I
6/01/2033	9,178.32	2.000%	762.45	9,940.77
9/01/2033	9,224.21	2.000%	716.66	9,940.77
12/01/2033	9,270.34	2.000%	670.44	9,940.78
3/01/2034	9,316.69	2.000%	624.09	9,940.78
6/01/2034	9,363.27	2.000%	577.51	9,940.78
9/01/2034	9,410.09	2.000%	530.69	9,940.78
12/01/2034	9,457.14	2.000%	483.64	9,940.78
3/01/2035	9,504.42	2.000%	436.35	9,940.77
6/01/2035	9,551.95	2.000%	388.83	9,940.78
9/01/2035	9,599.71	2.000%	341.07	9,940.78
12/01/2035	9,647.70	2.000%	293.07	9,940.77
3/01/2036	9,695.94	2.000%	244.83	9,940.77
6/01/2036	9,744.42	2.000%	196.35	9,940.77
9/01/2036	9,793.14	2.000%	147.63	9,940.77
12/01/2036	9,842.11	2.000%	98.67	9,940.78
3/01/2037	9,891.32	2.000%	49.46	9,940.78
TOTAL	1,075,000.00	-	475,761.21	1,550,761.21

(Form of)

ASSIGNMENT

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

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

Dated: _____, ____.

In the presence of:

CHASFS3.62339

LOGAN COUNTY PUBLIC SERVICE DISTRICT

\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B

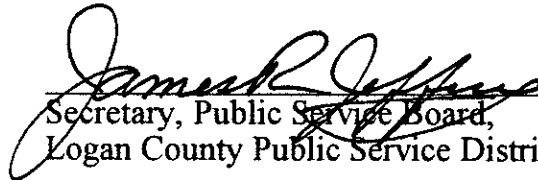
CERTIFICATE OF THE ACTING SECRETARY AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, the undersigned James R. Jeffrey, Secretary of the Public Service Board (the "Board") of Logan County Public Service District (the "District"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of \$1,075,000 Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B (the "Bonds"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the District and delivered in the transcript of proceedings, that said documents have been duly adopted or entered by the Board, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Rules of Procedure.
2. Orders of The County Commission of Logan County (the "County Commission"), as amended creating the District.
3. Resolution of The County Commission of Lincoln County consenting to the District's boundary change.
4. Orders of the County Commission appointing current Board members.
5. Certificate as to Oaths of Office of Board members.
6. Loan Agreement dated March 25, 1997.
7. Minutes of 1997 organizational meeting of the Board.
8. Excerpt of Minutes of the March 20, 1997, meeting of the Board, wherein the Bond Resolution and the Supplemental Resolution with respect to the Bonds were adopted.
9. Bond Resolution.
10. Supplemental Resolution.

11. Small Cities Block Grant Agreement.

WITNESS my signature and the official seal of the Logan County Public Service District as of the 25th day of March, 1997.


Secretary, Public Service Board,
Logan County Public Service District

(SEAL)

CHASFS3:62363

LOGAN COUNTY PUBLIC SERVICE DISTRICT

3.3(A)

\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B

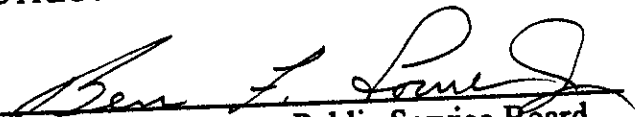
CERTIFICATE AS TO NON-ARBITRAGE

I, Ben F. Lowe, Jr., Acting Chairperson of the Public Service Board of Logan County Public Service District, in Logan County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$1,075,000 aggregate principal amount of Water Revenue Bonds (Harts Creek Project), Series 1997 B, dated March 25, 1997 (the "Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986 and applicable regulations (the "Code"). I am one of the officers of the Issuer charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.
2. This certificate may be relied upon as the certificate of the Issuer.
3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer and certification of which may not be relied upon by holders of obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.
4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on March 25, 1997, the date on which the Bonds are to be physically delivered in exchange for the proceeds representing more than a de minimus amount of the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.
5. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted to make no use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.
6. The Bonds were sold on March 25, 1997, to the West Virginia Water Development Authority (the "Authority") for an aggregate purchase price of \$1,075,000 (100% of the principal amounts thereof). \$58,904 was advanced on the date hereof, being more than a de minimus portion of the Bonds and the remainder will be advanced from time to time to pay costs of the Project.

IN WITNESS WHEREOF, I have set my hand this 25th day of March, 1997.

LOGAN COUNTY PUBLIC SERVICE
DISTRICT

By 
Acting Chairperson, Public Service Board

CHASFS3:62362

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain improvements and extensions to the existing waterworks system of the Issuer (the "Project") and (ii) paying costs of issuance and other costs in connection therewith.

8. Construction and acquisition of the Project will proceed with due diligence to completion. Construction of the Project is expected to be completed by December 1, 1997.

9. Sources and uses of funds for the Project are as follows:

SOURCES

Bonds	\$1,075,000
SCBG Grant	<u>\$1,250,000</u>
Total Sources	\$2,325,000

USES

Construction Contracts	\$1,854,788
Technical Service	\$ 165,000
Legal and Fiscal	\$ 15,000
Administrative	\$ 45,000
Site and Other Lands	\$ 45,000
Contingency	\$ 185,212
Closing Costs	<u>\$ 15,000</u>
Total Uses	\$2,325,000

Except for the SCBG Grant and the proceeds of the Bonds and as otherwise provided in the Resolution, no other funds of the Issuer will be available to meet the costs of the Project and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

10. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been continued and/or created:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;

- (3) Construction Trust Fund;
- (4) Rebate Fund; and
- (5) Series 1997 B Bonds Sinking Fund, and within the Series 1997 B Bonds Sinking Fund, the Series 1997 B Bonds Reserve Account.

11. Moneys held in the Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to meet costs of construction of the Project. To the extent not required by the Resolution to be deposited in the Earnings Fund and the Rebate Fund, all investment earnings on moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account, will be placed in the Earnings Fund for use in accordance with the terms thereof.

12. Except for the Sinking Fund and the Reserve Account therein, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Bonds, or which are pledged as collateral for the Bonds, and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Renewal and Replacement Fund will be used or needed for payments upon the Bonds. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts or other investment-type property producing a yield in excess of the yield on the Bonds, have been or will be pledged to payment of the Bonds. Less than 10% of the proceeds of the Bonds will be deposited in the Reserve Account or any other reserve or replacement fund. The amounts deposited in the Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest on the Bonds and will not exceed 125% of average annual principal and interest on the Bonds. The amount in the Reserve Account, not to exceed 10% of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Reserve Account is required by the Authority and is vital to its purchase of the Bonds and is reasonably required to assure payments of debt service on the Bonds.

13. The Issuer anticipates entering into contracts for the construction of the Project on March 25, 1997, and commence construction immediately.

14. Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within one year.

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

16. With the exception of the amounts deposited in the Sinking Fund, for payment of interest on the Bonds and amounts deposited in the Reserve Account, if any, all

of the proceeds of the Bonds will be expended on the Project within 18 months from the date of issuance thereof.

17. Any money deposited in the Sinking Fund for payment of the principal and interest on the Bonds (other than the Reserve Account therein) will be spent within a thirteen month period beginning on the date of receipt and any moneys received from investment of amounts held in the Sinking Fund (other than the Reserve Account therein) will be spent within a one-year period beginning the date of receipt.

18. All the proceeds of the Bonds which were used for the payment of costs of the Project will be expended for such purposes within three years of June 4, 1996.

19. The amount designated as cost of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

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

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

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

23. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of issue.

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

25. 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 Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions and refrain from taking such actions as shall be necessary to comply with the Code in order to ensure the interest on the Bonds is excludable from gross income for federal income tax purposes.

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

27. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and obtain a waiver from the Internal Revenue Service in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

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

29. The Issuer shall comply with the yield restriction on the proceeds of the Bonds as set forth in the Code.

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

31. The Issuer shall submit to the Authority within 30 days following the end of the Issuer's bond year a certified copy of its rebate calculation or if the Issuer qualifies for an exception to rebate, then the Issuer shall submit to the Authority a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Bonds subject to rebate.

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

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

34. Jackson & Kelly is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

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

Vallet & Associates, AC

210 DINGESS STREET
LOGAN, WEST VIRGINIA 25601
(304) 752-1272

March 25, 1997

Public Service Board
Logan County Public Service District
Logan, West Virginia 25601

Re: \$1,075,000 Logan County Public Service District Water
Revenue Bonds (Harts Creek Project), Series 1997 B

We have been asked to determine if the Logan County Public Service District (the "District") has achieved sufficient coverage of its existing and proposed debt service prior to the issuance of additional parity bonds. The Prior Resolution requires the annual net revenue for the twelve month period prior to the issuance of additional parity bonds to be at least 115% of the total maximum amount of principal and interest falling due in any one subsequent year on the bonds currently outstanding and on the proposed bonds.

The District currently has outstanding the Prior Bonds as defined in the Resolutions dated July 31, 1996, October 29, 1996, and February 6, 1997 (the "Prior Bonds"). The District intends to issue \$1,075,000 in Water Revenue Bonds, Series 1997 B on or about March 25, 1997 on a parity with the Prior Bonds.

Based upon the above assumptions, we certify the District's annual net revenues are at least 115% of the total maximum amount of existing and proposed interest and principal that will become due in any one subsequent year of the currently outstanding Prior Bonds and proposed Bonds and that the District has met the parity requirements of the Prior Resolutions.

Very truly yours,

Vallet & Associates, AC
VALLET & ASSOCIATES, AC

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 25th day of March, 1997, by and between LOGAN COUNTY PUBLIC SERVICE DISTRICT, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "Governmental Agency"), and BANK ONE, WEST VIRGINIA, NATIONAL ASSOCIATION, LOGAN, a national banking association (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its \$1,075,000 Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B, in the form of one bond numbered R-1 (the "Bonds"), pursuant to a Bond Resolution and a Supplemental Resolution duly adopted March 20, 1997 (collectively the "Resolution");

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

WHEREAS, the Resolution provides for an appointment by the Governmental Agency of a Registrar for the Bonds; and

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

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

1. Upon the execution of this Registrar's Agreement by the Governmental Agency and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Governmental Agency advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Governmental Agency with appropriate records of all transactions carried out by it as Registrar and to furnish the Governmental Agency with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Governmental Agency may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Governmental Agency.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Governmental Agency hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection with this Registrar's Agreement.

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

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

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

GOVERNMENTAL AGENCY:

Logan County Public Service District
201 ½ Stratton Street
Logan, West Virginia 25601
Attention: Chairperson

REGISTRAR:

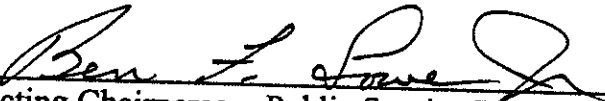
Bank One, West Virginia, NA
755 East Stratton Street
P.O. Box 420
Logan, West Virginia 25601
Attention: President

The Governmental Agency and the Registrar shall notify the other in writing of any change of address.

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Resolution.

IN WITNESS WHEREOF, LOGAN COUNTY PUBLIC SERVICE DISTRICT and BANK ONE, WEST VIRGINIA, NATIONAL ASSOCIATION, LOGAN, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

LOGAN COUNTY PUBLIC SERVICE DISTRICT

By: 
Acting Chairperson, Public Service Board

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION, LOGAN

By: 
President

CHASF53:62354

EXHIBIT A

(See Tab Nos. 2.2 and 2.3)

LOGAN COUNTY PUBLIC SERVICE DISTRICT

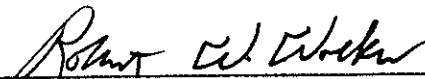
\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK
FOR THE CONSTRUCTION TRUST FUND

Bank One, West Virginia, National Association, Logan a national banking association, with its principal office in Logan, West Virginia, hereby accepts appointment as the Depository Bank for the Construction Trust Fund in connection with a Bond Resolution duly adopted by Logan County Public Service District on March 20, 1997, and the Supplemental Resolution adopted March 20, 1997 (collectively, the "Resolution"), authorizing issuance of the Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B, dated March 25, 1997, in the aggregate principal amount of \$1,075,000 (the "Bonds") and agrees to perform all duties of the Depository Bank for the Construction Trust Fund in connection with such Bonds, all as set forth in said Resolution.

Witness my signature as of the 25th day of March, 1997.

BANK ONE, WEST VIRGINIA, NATIONAL
ASSOCIATION, LOGAN

By: 
President

LOGAN COUNTY PUBLIC SERVICE DISTRICT

\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK
FOR THE REVENUE FUND

Logan Bank & Trust Company, a state banking corporation, with its principal office in Logan, West Virginia, hereby accepts appointment as the Depository Bank for the Revenue Fund in connection with a Bond Resolution duly adopted by Logan County Public Service District on March 20, 1997, (collectively, the "Resolution"), authorizing issuance of the Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B, dated March 25, 1997, in the aggregate principal amount of \$1,075,000 (the "Bonds") and agrees to perform all duties of the Depository Bank for the Revenue Fund in connection with such Bonds, all as set forth in said Resolution.

Witness my signature as of the 25th day of March, 1997.

LOGAN BANK & TRUST COMPANY

By: Mark A. Mareske
Vice President

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION
AND DELIVERY OF THE BONDS

March 25, 1997

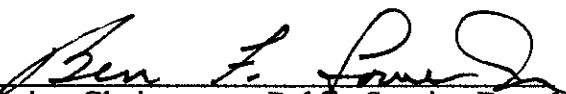
BANK ONE, WEST VIRGINIA, NATIONAL ASSOCIATION/D/L
755 East Stratton Street/P.O. Box 420
Logan, West Virginia 25601

Ladies and Gentlemen:

We herewith hand to you, duly executed (a) \$1,075,000 Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B, in the form of one bond numbered BR-1 (the "Bonds"), authorized to be issued under and pursuant to the Bond Resolution, duly adopted by the Public Service Board (the "Board") of Logan County Public Service District (the "District") on March 20, 1997, and a Supplemental Resolution adopted by the Board on March 20, 1997 (collectively, the "Resolution").

You are hereby requested and authorized to register, authenticate and deliver the Bonds on behalf of the District to the West Virginia Water Development Authority.

LOGAN COUNTY PUBLIC SERVICE
DISTRICT

By: 
Acting Chairperson, Public Service Board

(SEAL)

Attest:


Secretary, Public Service Board

LOGAN COUNTY PUBLIC SERVICE DISTRICT

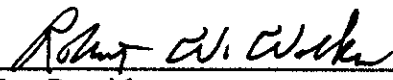
\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B

CERTIFICATE OF REGISTRATION OF BONDS

I, Robert W. Walker, President of Bank One, West Virginia, National Association, Logan, as Registrar (the "Registrar"), hereby certify that on the 25th day of March, 1997, (a) the bonds of Logan County Public Service District in the principal amount of \$1,075,000 designated "Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B" (the "Series 1997 B Bonds"), numbered BR-1, and dated as of the date hereof, were registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the District kept for that purpose at our office, by a duly authorized officer on behalf of Bank One, West Virginia, National Association, Logan, West Virginia, as Registrar.

WITNESS my signature as of the 25th day of March, 1997.

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION, LOGAN,
as Registrar

By: 
Its: President

BOND REGISTER

**Bank One, West Virginia, National Association, Logan,
WV, as Bond Registrar
for
Logan County Public Service District
Water Revenue Bonds (Harts Creek Project),
Series 1997B**

Bondholder	Bond Number	Registration Amount	Date	Authorized Officer
West Virginia Water Development Authority Dunbar, WV 25064	BR-1	\$1,075,000	March 25, 1997	

CHASFS3:62378

LOGAN COUNTY PUBLIC SERVICE DISTRICT

\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B

RECEIPT FOR BONDS

The undersigned, BARBARA B. MEADOWS, Secretary-Treasurer of the West Virginia Water Development Authority, for and on behalf of the West Virginia Water Development Authority (the "Authority") acting on behalf of the West Virginia Infrastructure and Jobs Development Council, hereby certifies as follows:

1. On the 25th day of March, 1997, in Dunbar, West Virginia, the Authority received (a) the entire original issue of \$1,075,000 in aggregate principal amount of Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B (the "Bonds"), said Bonds being dated the 25th day of March, 1997; and issued in the form of one bond, fully registered to the Authority, and numbered BR-1.

2. At the time of receipt of such Bonds, they had been executed by Ben F. Lowe, Jr., as Acting Chairperson of the Public Service Board of the District, by manual signature, and attested by James R. Jeffrey, as Secretary of the Public Service Board of the District, by manual signature, and the official seal of said District had been impressed upon each Bond.

IN WITNESS WHEREOF, Barbara B. Meadows duly signed and delivered this receipt on behalf of the West Virginia Water Development Authority on the 25th day of March, 1997.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B. Meadows
Secretary-Treasurer

LOGAN COUNTY PUBLIC SERVICE DISTRICT

Water Revenue Bonds (Harts Creek Project),
Series 1997 B

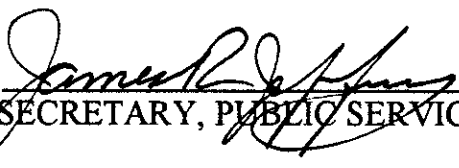
RECEIPT FOR BOND PROCEEDS

The undersigned, James R. Jeffrey, Secretary of the Public Service Board of the Logan County Public Service District (the "District"), hereby certifies as follows:

1. The District has received and hereby acknowledges receipt from the West Virginia Water Development Authority (the "Authority"), as original purchaser of the Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B, \$58,904, being more than a de minimus amount of the purchase price of said bonds, the remainder to be advanced from time to time up to \$1,075,000.

IN WITNESS WHEREOF, Logan County Public Service District has caused this receipt to be executed by the Secretary of its Public Service Board on this 25th day of March, 1997.

LOGAN COUNTY PUBLIC SERVICE
DISTRICT

By 
SECRETARY, PUBLIC SERVICE BOARD

Suite 300 - L & S Building
812 Quarrier Street, Charleston, WV 25301
(304) 348-3971

Date of Report: March 25, 1997

DISBURSEMENT REQUEST FORM

Bank One, West Virginia,
National Association
755 East Stratton Street
P. O. Box 420
Logan, West Virginia 25601-0420

Re: \$1,075,000 Logan County Public Service District Water
Revenue Bonds (Harts Creek Project), Series 1997 B

Ladies and Gentlemen:

You are authorized, on behalf of Logan County Public Service District, to
make the following disbursements from the Bond Construction Trust Fund:

The expenses listed above* have been incurred as Costs of the Project that
have not been the basis of any previous disbursement. Each item listed above for which
payment is now due and owing is or was necessary in connection with the Project and has
been otherwise properly incurred. A copy of the Resolution of Logan County Public Service
District authorizing the disbursements is attached hereto.

Very truly yours,

LOGAN COUNTY PUBLIC SERVICE DISTRICT

By: _____
Authorized Officer

Managing Engineer

Date: _____, 199__
*Invoices Attached.

LOGAN COUNTY PUBLIC SERVICE DISTRICT

\$1,075,000 Logan County Public Service District
Water Revenue Bonds (Harts Creek Project), Series 1997 B

March 25, 1997

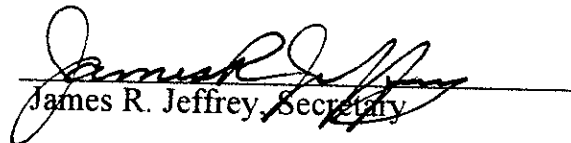
Bank One, West Virginia, NA, Logan
P.O. Box 420
Logan, WV 25601
Attn: Corporate Trust

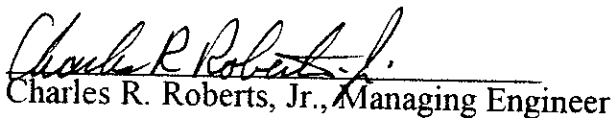
Re: Designation of Authorized Representatives

Dear Sir or Madam:

You are hereby advised by the Logan County Public Service District (the "Issuer"), that its authorized representatives to and on behalf of the Issuer regarding the \$1,075,000 Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B are Ben F. Lowe, Jr., Acting Chairman, James R. Jeffrey, Secretary and Charles R. Roberts, Jr., Managing Engineer, whose signatures are as follows:


Ben F. Lowe, Jr., Acting Chairman

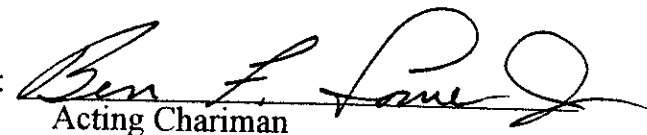

James R. Jeffrey, Secretary


Charles R. Roberts, Jr., Managing Engineer

The Bank is authorized to accept and honor all requests for disbursements, directions or notices signed by any of the above persons.

Dated this 25th day of March, 1997.

LOGAN COUNTY PUBLIC SERVICE
DISTRICT

By: 
Acting Chairman

LOGAN COUNTY PUBLIC SERVICE DISTRICT

\$1,075,000 Water Revenue Bonds (Harts Creek Project),
Series 1997 B

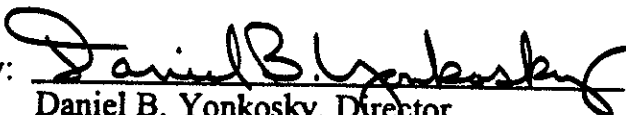
3.13

CONSENT OF THE
WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND
WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

We, Daniel B. Yonkosky, Director of the West Virginia Water Development Authority (the "WDA"), registered owner of the entire outstanding aggregate principal amount of the WDA Bonds, hereinafter defined and described, and Susan Riggs, Executive Secretary of the West Virginia Infrastructure and Jobs Development Council, hereby consent to the issuance of Logan County Public Service District (the "Issuer") Water Revenue Bonds (Harts Creek Project), Series 1997 B (the "Bonds"), in the original aggregate principal amount of \$1,075,000, under the terms of the Resolution authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding \$1,980,000 Water Revenue Bonds (Cow Creek Project), Series 1996 B and \$1,000,000 Water Revenue Bonds (Whitman Creek Project), Series 1997 A (collectively the "WDA Bonds").

WITNESS our signatures this 25th day of March, 1997.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: 
Daniel B. Yonkosky, Director

WEST VIRGINIA INFRASTRUCTURE AND JOBS
DEVELOPMENT COUNCIL

By: 
Susan Riggs, Executive Secretary

A G R E E M E N T

THIS AGREEMENT, in triplicate originals, made and entered into on this the 10 day of January, 19 97, by and between THE LOGAN COUNTY PUBLIC SERVICE DISTRICT, a political subdivision of the State of West Virginia, sometimes hereinafter called "DISTRICT", party of the first part, and THE TOWN OF CHAPMANVILLE WATER AND SEWER BOARD, sometimes hereinafter called "BOARD", party of the second part.

W I T N E S S E T H:

WHEREAS, it is the desire of the Lincoln County Commission to assist the residents of the Upper Limestone Branch, Daisy, Toney, Green Shoals Branch, Ferrellsburg and Harts areas of Lincoln County, West Virginia, in obtaining water for resale from the existing Town of Chapmanville Water Treatment Plant and extending service lines to the Upper Limestone Branch, Daisy, Toney, Green Shoals Branch, Ferrellsburg and Harts areas of Lincoln County, West Virginia; and,

WHEREAS, the Lincoln County Commission has contracted with the District for the District to construct and operate the proposed water system and to have the District carry out the proposed project in accordance with the guidelines of the United States Department of Housing and Urban Development; and,

WHEREAS, it is understood that said project will be funded with Federal funds made available through a grant from the

Department of Housing and Urban Development and the maximum cost of said project should not exceed the sum of Two Million Four Hundred Thousand Dollars (\$2,400,000.00); and,

WHEREAS, on June 21, 1977, the District entered into an Agreement with the Board to furnish potable water for the District's Big Creek Water System which serves the Big Creek, Stone Branch, Kitchen and Lower Limestone Branch areas of Logan County, West Virginia, with said areas being more particularly described as including all residences, schools or business establishments included in that area marked in "black" and shown on the map attached hereto and incorporated by reference herein and marked for identification purposes as Exhibit "A"; and,

WHEREAS, it is the desire of the District to expand the Big Creek Water System service area and obtain potable water from the Board for the additional areas of Upper Limestone Branch, Daisy, Toney, Green Shoals Branch, Ferrellsburg and Harts, Lincoln County, West Virginia.

THEREFORE, THIS AGREEMENT WITNESSETH:

The DISTRICT and the BOARD do hereby agree as follows:

1. The Board agrees to furnish potable water to the District at a reasonable rate to be negotiated in the future by the District and the Board, subject to the approval of the Public Service Commission of the State of West Virginia, for the District's existing Big Creek Water System serving the Big Creek, Stone Branch, Kitchen, Lower Limestone Branch areas of Lincoln County, West Virginia.

2. The Board agrees to furnish said water to the District in such additional amounts as would be necessary to provide water service to the residents of Upper Limestone Branch, Daisy, Toney, Green Shoals Branch, Ferrellsburg and Harts areas of Lincoln County, West Virginia, with the boundaries of service to said Upper Limestone Branch, Daisy, Toney, Green Shoals Branch, Ferrellsburg and Harts areas being more particularly described as including all residences, schools or business establishments, included in that area marked in "red" and shown on the map attached hereto and incorporated by reference herein and marked for identification as Exhibit "A".

It is further specifically understood, acknowledged and agreed that water service shall not be provided to any areas outside the area marked in "black" or "red" as shown on Exhibit "A" without the written approval of the Board.

3. Water for all areas covered under this Agreement will be purchased through the existing Board water master meter located near the Logan Country Club, on State Route 10 in Logan County, West Virginia.

4. All service, bill collecting, construction of a storage tank, laying of pipe lines, connections to pipe lines and all other services connected with water service to the citizens of the areas of Upper Limestone Branch, Daisy, Toney, Green Shoals Branch, Ferrellsburg and Harts shall be the responsibility of the District and shall not, in any manner, affect the liability or responsibility of the Board.

5. The Board reserves the right to discontinue service on a temporary basis, if any leaks or breaks in any line on the District's side of the master meter occur, until such time as repairs have been made to said service lines by the District.

6. The Board and the District reserve the right to hold this agreement void and to cancel this agreement in the event that Federal funding is not obtained by the District in such an amount as is necessary to accomplish the objects as set out in this agreement.

7. The Board and the District agree that this agreement shall be void and that they will cancel this agreement in the event that the District has not commenced construction of the necessary facilities within one (1) year and completed construction within Thirty (30) months from the date of this agreement.

8. The Board and the District agree that in the event that the District is unable to purchase the water as herein provided because of a failure of Federal funding to accomplish the purposes of the District, then the District shall not be liable to the Board.

9. The Board and the District agree that in the event that the Board shall have a break in a water line necessitating a shut down of the Board's water plant, then, in such event, the Board shall have the right to stop the delivery of water to the District until such time as the Board's water plant is back in operation; however, it is understood that the Board shall effectuate any necessary repairs in a timely manner.

WITNESS the following signatures and seals this the day and year as first herein written:

LOGAN COUNTY PUBLIC SERVICE DISTRICT

BY: Treasurer

ITS: Ben F. Lowe Jr.

ATTEST:

James R. Jeffery
SECRETARY

TOWN OF CHAPMANVILLE WATER AND SEWER BOARD

BY: Robert G. Vance

ITS: Chairman

ATTEST:

Lane Pritchard
SECRETARY

STATE OF WEST VIRGINIA,

COUNTY OF LOGAN, TO-WIT:

I, Charles R. Roberts, Jr., a Notary Public in and for the County and State aforesaid, do hereby certify that Ben F. Lowe, Jr., who signed the foregoing writing, bearing date the 10th day of January, 1998, for the LOGAN COUNTY PUBLIC SERVICE DISTRICT, has this day

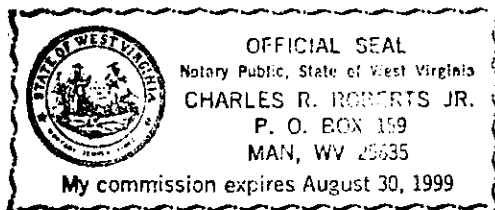
personally appeared before me in my said County and acknowledged the same to be the act and deed of said District.

GIVEN under my hand this 16th day of January, 199⁷.

My commission expires: August 30, 1999.

Charles R Roberts Jr.
NOTARY PUBLIC

NOTARY SEAL



STATE OF WEST VIRGINIA,

COUNTY OF LOGAN, TO-WIT:

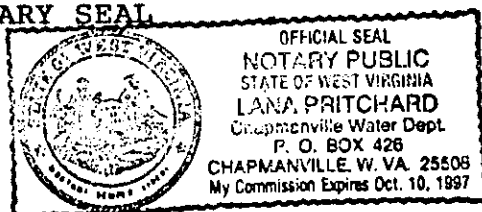
I, Lana Pritchard, a Notary Public in and for the County and State aforesaid, do hereby certify that Robert Y. Vance, who signed the foregoing writing, bearing date the 10 day of January, 199⁷, for the TOWN OF CHAPMANVILLE WATER AND SEWER BOARD, has this day personally appeared before me in my said County and acknowledged the same to be the act and deed of said Board.

GIVEN under my hand this 10 day of January, 199⁷.

My commission expires: 10-10-97.

Lana Pritchard
NOTARY PUBLIC

NOTARY SEAL



THIS INSTRUMENT PREPARED BY:

JAMES A. WALKER
ATTORNEY AT LAW
Suite 201-White & Browning Building
P.O. Box 358
Logan, West Virginia 25601

JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

300 FOXCROFT AVENUE
MARTINSBURG, WEST VIRGINIA 25401
TELEPHONE 304-263-8800

256 RUSSELL AVENUE
NEW MARTINSVILLE, WEST VIRGINIA 26155
TELEPHONE 304-455-1751

6000 HAMPTON CENTER
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-599-3000

700 EAST WASHINGTON STREET
CHARLES TOWN, WEST VIRGINIA 25414
TELEPHONE 304-728-6088

412 MARKET STREET
PARKERSBURG, WEST VIRGINIA 26101
TELEPHONE 304-424-3490

1660 LINCOLN STREET
DENVER, COLORADO 80264
TELEPHONE 303-837-0003

175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40595
TELEPHONE 606-255-9500

2401 PENNSYLVANIA AVENUE N.W.
WASHINGTON, D.C. 20037
TELEPHONE 202-973-0200

1000 TECHNOLOGY DRIVE
FAIRMONT, WEST VIRGINIA 26554
TELEPHONE 304-368-2000

*Jackson & Kelly is a member of Lex
Mundi, a global association of more
than 120 independent law firms.*

March 25, 1997

West Virginia Infrastructure and
Jobs Development Council
1320 One Valley Square
Charleston, WV 25301

4.1

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

Public Service Board
Logan County Public Service District
201 ½ Stratton Street
Logan, West Virginia 25601

Re: Logan County Public Service District Water Revenue Bonds (Harts
Creek Project), Series 1997 B

Ladies and Gentlemen:

We are bond counsel to Logan County Public Service District (the "Governmental Agency"), a duly organized and presently existing public service district and public corporation under the laws of the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated March 25, 1997, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of the Logan County Public Service District Water Revenue Bonds (Harts Creek Project), Series 1997 B of the Governmental Agency, dated March 25, 1997 (the "Bonds") to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are in the principal amount of \$1,075,000, issued in the form of one bond registered as to

principal and interest to the Authority, with interest and principal payable in installments on September 1, December 1, March 1 and June 1 of each year, beginning June 1, 1998, at the rate as set forth in Exhibit B incorporated in and made a part of the Bonds. The Bonds are on a parity as to security and source of payment with the Governmental Agency's Prior Bonds, as defined in the Resolution.

The Bonds are issued for the purposes of paying a portion of the costs of acquiring and constructing certain improvements and extensions to the existing public waterworks system for the Governmental Agency and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Bonds have been authorized by a bond resolution and a supplemental resolution (collectively, the "Resolution") duly adopted by the Governmental Agency on March 20, 1997 (the "Local Act"), pursuant to and under which Local Statute and Local Act the Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

In connection with the issuance of the Bonds, the Governmental Agency has executed a Certificate as to Non-Arbitrage, dated as of the date hereof (the "Certificate as to Non-Arbitrage"), which, among other things, sets forth restrictions on the investment and expenditure of the Bond proceeds and earnings thereon, to ensure that the arbitrage requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code"), necessary to establish and maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, are and will continue to be met.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the respective terms thereof.
2. The Loan Agreement inures to the benefit of the Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, and cannot be amended so as to affect adversely the rights of the Authority and Council or diminish the

obligations of the Governmental Agency without the written consent of the Authority and Council.

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

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

5. The Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and are secured by a first lien on and pledge of the net revenues of said System on a parity as to security and source of payment with the Prior Bonds, as defined in the Resolution, all in accordance with the terms of the Bonds and the Local Act, and have been duly issued and delivered to the Authority. The Governmental Agency has met the coverage requirements for issuance of parity bonds under the Prior Resolutions based upon the certificate of the independent certified public accountant, and has substantially complied with all other parity requirements, except to the extent that noncompliance with any other parity requirements is not of a material nature.

6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Bonds and the Prior Bonds, as provided in the Local Act and pursuant to the Resolution and the Prior Resolutions.

7. The interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Governmental Agency comply, on a continuing basis, with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bond set forth in the Bond Resolution and the Certificate as to Non-Arbitrage and with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. The Governmental Agency has covenanted to comply with all

West Virginia Infrastructure and Jobs Development Council
Logan County Public Service District
March 25, 1997
Page 4

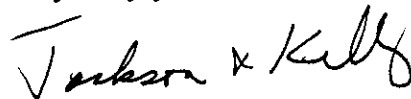
such requirements. Failure to comply with such certifications, covenants, representations and requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences with respect to the Bonds.

8. The Bonds and the interest thereon are, by the Local Statute, exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that such enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed Series 1997 B Bond numbered BR-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Jackson & Kelly", is written over a horizontal line.



James A. Walker

Counselor and Attorney at Law

Suite 201 • White & Browning Bldg.
201½ Stratton Street
P.O. Box 358
Logan, West Virginia 25601

Phone (304) 752-0757
Fax (304) 752-0758

March 25, 1997

Logan County Public Service District
201 1/2 Stratton Street
Logan, West Virginia 25601

West Virginia Infrastructure in
Jobs Development Counsel
1320 One Valley Square
Charleston, West Virginia 25301

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

Jackson & Kelly
Attorneys at Law
P.O. Box 553
Charleston, West Virginia 25322

RE: Logan County Public Service District
\$1,075,000 Water Revenue Bonds
(Harts Creek Project), Series 1997B

Ladies and Gentlemen:

I am Counsel to the Logan County Public Service District (the "District"). As such counsel, I have examined copies of the approving opinion of Jackson & Kelly, as bond counsel, relating to the above-captioned bonds, a Bond Resolution adopted by the Public Service Board of the District on March 20, 1997, as supplemented by a Supplemental Resolution adopted March 20, 1997 (collectively, the "Resolution") and other documents relating to the above-captioned Bonds of the District. Terms used in said opinions and Resolution and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The District was duly and legally created and the members of the Public Service Board (the "Board") of the District were duly

Logan County Public Service District
West Virginia Infrastructure and Jobs
Development Council
West Virginia Water Development Authority
Jackson & Kelly
March 25, 1997
Page -2-

and properly elected or appointed and are thereby authorized to act on behalf of the District.

2. The Resolution has been duly adopted by the District and is in full force and effect.

3. The District has received a Final Order from the Public Service Commission of West Virginia dated March 16, 1997, granting approval of the financing, including the above-referenced Bond, granting a Certificate of Convenience and Necessity and said Order is in full force and effect and non appealable with the exception of the District who has no intentions to appeal said Final Order.

4. The District has received all the necessary permits, licenses, approvals and authorizations that are presently obtainable to acquire and construct the Project.

5. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any Court, public council or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by or the validity of the Bonds, the operation of the System or the collection of Revenues or the pledge of the Net Revenues to the Bonds.

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

Very Truly Yours,

A handwritten signature in cursive script, reading "James A. Walker", followed by a horizontal line.

James A. Walker
Attorney for Logan
County Public Service District

JAW:rmh