

CLOSING MEMORANDUM
LUBECK PUBLIC SERVICE DISTRICT WATER SYSTEM
REVENUE BONDS, SERIES A AND SERIES B

Closing date: April 2, 1990, 10:30 a.m.

Place: West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia

Parties:

Issuer
Lubeck Public Service District, Wood County, West
Virginia

Purchaser:
West Virginia Water Development Authority

Paying Agent:
West Virginia Municipal Bond Commission

Registrar:
One Valley Bank, National Association

Purchaser's Counsel:
Jackson & Kelly

Bond Counsel:
Davis, Bailey, Pfalzgraf & Hall

Counsel for the Issuer:
Ronning & Brown

Accountant:
Philip R. Postlewait, Jr.

Engineer:
Burgess & Niple, Limited

LUBECK PUBLIC SERVICE DISTRICT
BOND RESOLUTION

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LUBECK PUBLIC SERVICE DISTRICT
BOND RESOLUTION

A RESOLUTION AUTHORIZING THE CONSTRUCTION AND ACQUISITION OF A WATER TREATMENT PLANT AND AN EXTENSION TO THE EXISTING WATERWORKS SYSTEM IN THE LUBECK PUBLIC SERVICE DISTRICT, WOOD COUNTY, WEST VIRGINIA, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE LUBECK PUBLIC SERVICE DISTRICT OF NOT MORE THAN \$3,285,500 IN AGGREGATE PRINCIPAL AMOUNT OF WATER SYSTEM REVENUE BONDS, SERIES A AND SERIES B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER SYSTEM REVENUE BONDS; AUTHORIZING THE SALE OF SUCH WATER SYSTEM REVENUE BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY BY SUPPLEMENTAL RESOLUTION; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The Public Service Board of the Lubeck Public Service District hereby adopts and orders:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. The following terms have the following meanings in this Resolution unless the context expressly requires otherwise:

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

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

"Authorized Officer" means the chairman of the Board, as hereinafter defined, or any other officer of the public service board of the Lubeck Public Service District specifically designated by resolution of the Board, as hereinafter defined, as such.

"Board" means the public service board of the Lubeck Public Service District 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 Lubeck Public Service District.

"Bond or Bonds" means the District's Series A Bond and Series B Bond, as hereinafter defined, and any additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution and any Supplemental Resolution.

"Bonds Capitalized Interest Account" means the Water System Revenue Bonds Capitalized Interest Account established with the Bond Commission by Section 4.02(1) hereof.

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

"Bond Year" means the 12 month period beginning on the anniversary of the closing date of the Bonds of each year and ending on the date immediately preceding the anniversary of the closing date for the Bonds in the following year, except that the first Bond Year shall begin with the closing date for the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, or under any predecessor thereto.

"Construction Trust Fund" means the Lubeck Public Service District Construction Trust Fund established by Section 4.01(3) hereof.

"Consulting Engineers" means Burgess & Niple, Limited, consulting engineers, Parkersburg, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of water systems or facilities that have been retained by the Lubeck Public Service District as Consulting Engineers for the System, as hereinafter defined.

"Cost(s) of the Project" or similar phrases mean those costs described in Section 1.03F hereof to be part of the costs of construction and acquisition of the Project, as hereinafter defined.

"Depository Bank" means One Valley Bank, National Association, a national banking association, Charleston, West Virginia, or any one or more State banking corporations or national banking associations located in the State, eligible under the laws of the State to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined and designated as custodian of any one or more of the funds or accounts established by Article IV hereof.

"District" means the Lubeck Public Service District, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia and, where appropriate, the Board thereof.

"Earnings Fund" means the Lubeck Public Service District Earnings Fund created in Section 6.03B hereof.

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

(A) the excess of (i) the amount earned on all Nonpurpose Investments [other than investments attributable to an excess described in this subparagraph (A)], over (ii) the amount which would have been earned if such Nonpurpose Investments were invested at a rate equal to the yield on the issue, plus

(B) any income attributable to the excess described in subparagraph (A).

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

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

"General Resolution" means the general resolution adopted by the Authority.

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

"Gross Proceeds" means the definition that is given such term in Section 148(f)(6)(B) of the Code.

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

"Independent Accountant" means Philip R. Postlewait, Jr., certified public accountant, Parkersburg, West Virginia, or any other certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the District to prepare an independent annual or special audit of the accounts of the System, as hereinafter defined, or for any other purpose except keeping the accounts of such System in the normal operation of its business and affairs.

"Investment Property" means any security (as such 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 by Section 103 of the Code for Federal income tax purposes.

"Loan Agreement" means the loan agreement executed by the District on February 7, 1990, between the District and the Authority, pursuant to which the Authority has agreed to purchase \$3,139,013.00 in aggregate principal amount of the Series A Bond, as the same may be supplemented or amended.

"Net Revenues" means Gross Revenues less Operating Expenses, as hereinafter defined.

"Nonpurpose Investments" means the definition given such term in Section 148(f)(6)(A) of the Code.

"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 supplies, labor, wages, the cost of materials and supplies used for current operations, capitalized as part of the Cost of the Project), fees and expenses of fiscal agents, the Paying Agent, as hereinafter defined, the Depository Bank and the Authority, 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 the Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (1) any

Bond cancelled by the Registrar, as hereinafter defined, at or prior to the date; (2) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); and (3) any Bond deemed to have been paid as provided in Article IX hereof.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 5.09 hereof.

"Paying Agent" means the bank, or such other entity designated by the District by the Supplemental Resolution.

"Plans and Specifications" means the plans and specifications for the construction of the Project prepared by the Consulting Engineers on file in the office of the District.

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

"Project" means the public service properties for the storage, treatment and distribution of water of the District, as described in Exhibit A attached hereto and incorporated herein by reference.

"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 Federal National Mortgage Association (but only to the extent such obligations are guaranteed by the Government National Mortgage Association); or the Government National Mortgage Association;

C. Public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; temporary notes, preliminary loan notes or project notes issued by public

agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

D. Certificates of deposit or other similar banking arrangements permitted by law, with a member bank or member banks of the Federal Reserve System or banks the deposits of which are insured by the FDIC, upon the terms and conditions as follows:

(i) all moneys invested in each such interest-bearing time deposit, certificate of deposit or similar banking arrangement shall be continuously and fully secured by obligations of the types described in clauses A, B and C above of a market value equal at all times to the amount of the deposit, certificate or similar banking arrangement; and

(ii) each such interest-bearing time deposit, certificate of deposit or similar banking arrangement shall permit the moneys so placed to be available for use at the times provided with respect to the investment or reinvestment of such moneys;

E. Direct and general obligations of the State or any other state within the territorial United States, to the payment of the principal of and interest on which the full faith and credit of such state is pledged; provided, that, at the time of their purchase, such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;

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

G. Repurchase agreements relating to any securities of the type described in clauses A or C above with any banking institution or association, including the Depository Bank, or any other financial institution, provided that the Depository Bank (unless it is the issuer, in which case a third party) or the Bond Commission, as the case may be, or its agent have possession of the collateral, and that such collateral be free of claims of third parties; and

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

"Rebate Fund" means the Lubeck Public Service District Rebate Fund created by Section 6.03B hereof.

"Registrar" means the bank or such other entity designated by the District as Registrar herein or by the Supplemental Resolution and its successors and assigns.

"Renewal and Replacement Fund" means the Lubeck Public Service District Water System Renewal and Replacement Fund established by Section 4.01(2) hereof.

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

"Revenue Fund" means the Lubeck Public Service District Water System Revenue Fund established by Section 4.01(1) hereof.

"Series A Bond" means the Series A Water System Revenue Bond of the District described in Section 3.02 hereof.

"Series A Bond Reserve Account" means the Series A Water System Revenue Bond Reserve Account established in the Series A Sinking Fund, as hereinafter defined by Section 4.02(1) hereof.

"Series A Bond Reserve Account Requirement" means the maximum amount of principal and interest which will come due on the Series A Bond in the then current or any succeeding year.

"Series A Sinking Fund" means the Series A Water System Revenue Bond Sinking Fund established by Section 4.02(1) hereof.

"Series B Bond" means the Series B Water System Revenue Bond of the District described in Section 3.02 hereof.

"Series B Bond Reserve Account" means the Series B Water System Revenue Bond Reserve Account established in the Series B Sinking Fund, as hereinafter defined, by Section 4.02(2) hereof.

"Series B Bond Reserve Account Requirement" means the maximum amount of principal which will come due on the Series B Bond in the then current or any succeeding year.

"Series B Sinking Fund" means the Series B Water System Revenue Bond Sinking Fund established by Section 4.02(2) hereof.

"State" means the State of West Virginia.

"Supplemental Loan Agreement" means the supplemental loan agreement executed by the District on February 7, 1990, between the District and the Authority, pursuant to which the Authority has agreed to purchase \$146,487.00 in aggregate principal amount of the Series B Bond, as the same may be supplemented or amended.

"Supplemental Resolution" means any resolution of the Board amending or supplementing this Resolution.

"Surplus Revenue" means the Net Revenue not required by the Resolution to be set aside and held for payment of or security for the Bonds or any other obligation of the District including the Renewal and Replacement Fund and the respective reserve accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses, owned by the District 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.

"Tap Fees" means the fees paid by customers of the District initially to connect onto the System.

"Water Development Act" means Chapter 20, Article 5C, of the Code of West Virginia of 1931, as amended, and in effect on the date of adoption of this Resolution.

"Yield" means the definition given that term in Section 148(h) of the Code.

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 include the plural number in each case and vice versa; words importing the masculine gender include every other gender; and words importing persons include firms, partnerships, associations and corporations.

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 District is a public service district of the State of West Virginia situated in Wood County of the State. The District presently operates well fields, a water plant and distribution facilities which are inadequate to serve the present residents of the District.

B. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the District that the Project be constructed at an estimated cost of \$5,535,020, in accordance with the Plans and Specifications.

C. The District has entered into an agreement to sell its existing well field and appurtenant facilities to E. I. du Pont de Nemours & Co. The District will apply moneys to be received from E. I. du Pont de Nemours & Co. to the construction of the Project.

D. The District does not have any bonds or other obligations outstanding as of the date hereof which have a lien on the Gross Revenues or on the Net Revenues derived from the operation of the System.

E. The estimated Gross Revenues to be derived from the operation of the System in each year after the construction of the Project will be sufficient to pay all Operating Expenses and to pay the principal of and interest on the Bonds and to pay all Sinking Fund, respective reserve account, and Renewal and Replacement Fund and other payments provided for in this Resolution.

F. It is deemed necessary for the District to issue its Bonds and to finance costs of the construction and acquisition of the Project. Costs of the Project shall be deemed to include the cost of the acquisition or construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements determined upon as provided in the Act; interest upon the Bonds prior to, during and for six months after the completion of construction and acquisition of the Project;

amounts which may be deposited in the respective reserve accounts; costs and expenses of the Authority related and incidental to the Project and the issuance of the Bonds, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project; administrative expenses; commitment fees, fees and expenses of the Authority, discount, initial fees for the services of the Registrar, Paying Agent or depositories or other costs in connection with the sale of the Bonds; and such other expenses as may be necessary or incident to the financing authorized by this Resolution and the Act; the construction and acquisition of the Project and the placing of the same in operation and the performance of the things herein required or permitted in connection with any thereof including with respect to the Bonds any commitment fees to the Authority; provided, that reimbursement to the District for any amounts expended by it for any allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the District for such purposes shall be deemed Costs of the Project.

G. The Authority has agreed to purchase not more than \$3,285,500 in aggregate principal amount of the Bonds pursuant to the terms and provisions of the Loan Agreement and the Supplemental Loan Agreement.

H. It is in the best interests of the District that its Bonds be sold to the Authority pursuant to the Loan Agreement and the Supplemental Loan Agreement as soon after the adoption of this Resolution as may be practicable and authorized and permitted by applicable law.

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

J. The District has complied with all requirements of State law relating to the authorization of the construction, acquisition and operation of the System and the issuance of the Bonds, or will have so complied prior to issuance of any thereof, including among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of the State by final order the time for rehearing and appeal of which have expired or the appeal of which shall have been waived by the District and the staff of the Public Service Commission of the State.

K. There are not outstanding any obligations of the District which will rank prior to or on a parity with the Bonds as to lien and source of the security for payment. The Series B Bond shall be junior and subordinate to the Series A Bond as set forth herein.

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 District and such holders of the Bonds, and the covenants and agreements herein set forth to be performed by the District shall be for the equal benefit, protection and security, respectively, of the registered owners of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF THE PROJECT; APPROVAL OF ACTIONS: APPROVAL AND EXECUTION OF DOCUMENTS

Section 2.01. Authorization of the Project. There is hereby authorized the construction and acquisition of the Project described in Exhibit A hereto at an estimated cost of \$5,535,020, in accordance with the Plans and Specifications which have been prepared by the Consulting Engineers heretofore filed in the office of the Board. The proceeds of the Bonds hereby authorized shall be applied as provided in Article IV hereof.

Section 2.02. Approval of Application, Loan Agreement, Amended Application and Supplemental Loan Agreement. The application for a construction loan to the Authority executed by an Authorized Officer of the District on November 17, 1989; the Loan Agreement; the amended application for a construction loan to the Authority, executed by an authorized officer of the District on November 17, 1989 and the Supplemental Loan Agreement are hereby approved, accepted and ratified. The execution by the Chairman of the Board and the Secretary of the Board of the Loan Agreement and the Supplemental Loan Agreement, copies of which are attached hereto as Exhibit D and Exhibit E, are hereby approved and ratified. The Chairman of the Board and

the Secretary of the Board are hereby authorized to execute all other documents required to be executed by or on behalf of the District by the terms of the Loan Agreement and the Supplemental Loan Agreement. All stipulations, covenants and agreements contained in the Loan Agreement and the Supplemental Loan Agreement are incorporated herein and made a part hereof as fully as if set out herein.

Section 2.03. Approval of Actions. The Chairman of the Board, the Secretary of the Board and the other officers of the District hereby are authorized and directed to execute any and all instruments and perform any and all acts as, in their discretion, may be necessary or advisable in effecting the purposes of this Resolution, any Supplemental Resolution, the Loan Agreement and the Supplemental Loan Agreement.

ARTICLE III

BONDS

Section 3.01. Authorization of Bonds. For the purpose of capitalizing interest on the Series A Bond, paying the Costs of the Project not otherwise provided for, funding the Series A Bond Reserve Account and Series B Bond Reserve Account, and paying certain costs of issuance and related costs, there shall be issued negotiable Bonds of the District, in an aggregate principal amount of not more than \$3,285,500. The Bonds shall be designated "Series A Bond" and "Series B Bond" in the aggregate principal amounts to be set forth in a Supplemental Resolution, and shall have such terms as set forth in Exhibit B and Exhibit C attached hereto or in a Supplemental Resolution. The proceeds of the Bonds remaining, if any, after funding of the respective Reserve Accounts and capitalization of interest shall be deposited in the Construction Trust Fund established by Section 4.01 hereof.

Section 3.02. Terms of the Series A Bond and Series B Bond. The Series A Bond and Series B Bond shall bear interest, if any, at such rate or rates not exceeding the then legal maximum; shall mature on such day in such year and in such amounts; and shall be redeemable, in whole or part, all as the District shall prescribe in a Supplemental Resolution. The Series A Bond and Series B Bond shall be payable as to principal at the office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series A

Bond 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 Registrar, or by such other method as shall be mutually agreeable as long as the Authority is the holder thereof.

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

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

Section 3.03. Form of the Series A Bond and Series B Bond. The Series A Bond shall be issued in substantially the form set forth as Exhibit B hereto, with such appropriate corrections, omissions and insertions as are permitted or required by this Resolution or any Supplemental Resolution and are deemed advisable by the District.

The Series B Bond shall be issued in substantially the form set forth as Exhibit C hereto, with such appropriate corrections, omissions and insertions as are permitted or required by this Resolution or any Supplemental Resolution and are deemed advisable by the District.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the District by the manual or facsimile signature of an Authorized Officer thereof, and the seal of the District shall be affixed thereto or imprinted thereon and attested by the Secretary of the District by manual or facsimile signature. In case any one or more of the persons who shall have signed or sealed any Bond shall cease to hold such office before such Bond so signed and sealed shall have been delivered, such Bond nevertheless may be delivered as herein provided and may be issued as if such person had not

ceased to hold such office. Any Bond may be signed, sealed and attested on behalf of the District by such person who at the time of such actions shall hold the requisite office, regardless of whether such person shall have held such office or shall have been so authorized on the date of such Bond.

Section 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit hereof unless and until the Certificate of Authentication and Registration on such Bond shall have been duly executed by the Registrar. Any Certificate of Authentication and Registration upon any Bond so executed shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by the manual signature of any officer of the Registrar duly authorized. It shall not be necessary that the same authorized officer sign the Certificate of Authentication and Registration on all of the Bonds or on all of the Bonds of any series.

Section 3.06. Negotiability and Registration. Subject to the requirements for transfer 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 holder, in accepting any of the Bonds, shall be deemed conclusively to have agreed to the incontestability of the Bonds in the hands of a bona fide holder for value, subject to compliance by such holder with the registration provisions herein and therein provided.

As long as any of the Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds.

A Bond shall be transferable only by transfer of registration upon the books of the Registrar by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued another Bond or Bonds (at the option of the transferee) of the same series, interest rate, if any, and maturity as the transferred Bond and of an aggregate principal amount equal to the unpaid principal amount of the transferred Bond.

In all cases in which the privilege of transferring or exchanging a Bond is exercised, any such Bond shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer or exchange shall be cancelled forthwith by the Registrar. Transfers of Bonds and exchanges of Bonds in the event of partial redemption shall be made by the Registrar without charge to the holder or the transferee thereof. For every transfer or exchange of Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange. The District shall pay such service charge, tax or other governmental charge. The Registrar shall not be obliged to make any such transfer or exchange of Bonds during the period commencing with the 15th day of the month preceding (i) an interest payment date on the Bonds, or (ii) the date of selection of the Bonds to be redeemed (in the case of any proposed redemption of Bonds), and ending on such interest payment date or such Bond 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 District may execute, and the Registrar shall authenticate, register and deliver, a new Bond of like series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, either in exchange for and upon surrender and cancellation of, such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, but only if the holder shall furnish the District and the Registrar with proof of his ownership thereof and that the Bond has been destroyed, stolen or lost and shall comply with such other reasonable regulations and conditions as the District or the Registrar may stipulate and paying such expenses as the District and the Registrar may incur. The name of the holder listed in the the books of the Registrar shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and cancelled by the Registrar, and evidence of such cancellation shall be given to the District. If any such Bond shall have matured or be about to mature, the District, by and through the Registrar, may pay the same without issuance of a substitute Bond therefor.

Section 3.08. Person Treated as Owners. The District, the Registrar and any agent of the District or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of and interest, if any, on such Bond, and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Delivery of the Series A Bond and the Series B Bond. The District shall execute and deliver to the Registrar, and the Registrar shall authenticate, register and deliver to the Authority the Series A Bond and the Series B Bond, upon payment therefor and receipt of the documents set forth below:

A. A request and authorization to the Registrar on behalf of the District, signed by an Authorized Officer, to authenticate and deliver to the Authority the Series A Bond and the Series B Bond; and

B. The unqualified approving opinion of bond counsel designated by the District and acceptable to the Authority.

Section 3.10. Application of Proceeds of Bonds. The proceeds received from the sale of the Bonds, except for the funding of the Bond Capitalized Interest Account and the Reserve Accounts shall be deposited in the Construction Trust Fund, which, except as otherwise agreed to in writing by the holder of the Bonds, shall be held separate and apart from all other funds of the District and on which such holder of the Bonds shall have a lien until the Bond proceeds are applied to the Costs of the Project, provided, however, that to the extent, if any, that the Costs of the Project include the funding of any reserve accounts for the Bonds and Bond proceeds are to be so applied, as shall be determined by a Supplemental Resolution, the Bond proceeds shall be credited to the Construction Trust Fund and deposited in the respective reserve accounts and the holder of the Bonds shall have a lien on the proceeds in such reserve accounts.

Section 3.11. Sale of Bonds; Ratification of Execution of Loan Agreement with Authority. The Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement and Supplemental Loan Agreement. If not so authorized by previous resolution, any Authorized Officer is specifically authorized and directed to execute the Loan Agreement and Supplemental Loan Agreement and the Secretary is directed to affix the seal of the District, attest the same and deliver the Loan Agreement and the Supplemental Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved. The District may approve any supplements or amendments to the Loan Agreement or Supplemental Loan Agreement by a Supplemental Resolution.

Section 3.12. "Amended Schedule A" Filing; Tender of Series B Bond. Upon completion of the acquisition and construction of the Project, the District 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. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Series B Bond to the District for payment in an amount equal to such excess.

ARTICLE IV

BOND PROCEEDS; REVENUES; FUNDS; AND ACCOUNTS

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

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Construction Trust Fund.
- (4) Earnings Fund.
- (5) Rebate Fund.

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

- (1) Series A Sinking Fund;
 - (a) Within the Series A Sinking Fund, the Series A Bond Reserve Account;
 - (b) Within the Series A Sinking Fund, the Bonds Capitalized Interest Account.
- (2) Series B Sinking Fund;
 - (a) Within the Series B Sinking Fund, the Series B Bond Reserve Account.

Section 4.03. Revenues; Funds and Accounts.

A. The Gross Revenues from the operation of the System shall be deposited upon receipt with the Depository Bank in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the District and used solely for the purposes and in the manner herein provided. All revenues on deposit each month in the Revenue Fund shall first be used to pay all reasonable Operating Expenses of the System. Thereafter, disbursements shall be made from the Revenue Fund in the order and priority set forth in Subsections B, C, D, E and F of this Section 4.03 and shall be used only for the purposes and in the manner herein provided.

B. (1) On the first day of each month, beginning on the first day of that month which is seven months prior to the first interest payment date on which interest is to be paid on the Series A Bond for which interest has not been capitalized, the District shall apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series A Sinking Fund a sum equal to one-sixth of the amount of interest which will become due on the Series A Bond on the next ensuing semiannual interest payment date; provided, that "next ensuing semiannual interest payment date" shall not refer to the interest payment date on which any such deposit is made. In the event the period to elapse between the date of such initial deposit in the Series A Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, at least one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(2) On the first day of each month, beginning on the first day of that month which is 13 months prior to the first principal payment date of the Series A Bond, the District shall apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series A Sinking Fund, a sum equal to one-twelfth of the amount of principal which will mature and become due on the Series A Bond on the next ensuing principal payment date; provided, that "next ensuing principal payment date" shall not refer to the principal payment date on which any such deposit is made. In the event the period to elapse between the date of such initial deposit in the Series A Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, at least one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(3) To the extent the District has not funded the Series A Bond Reserve Account with Bond proceeds or otherwise upon the issuance of the Series A Bond, the District shall next, from the Revenue Fund, remit to the Bond Commission for deposit in the Series A Bond Reserve Account on the first day of each month of each year, beginning with and including the month in which the payments required by Section 4.03 B (2) are commenced, an amount equal to 1/120th of the Series A Bond Reserve Account Requirement; provided that no further payments shall be made into the Series A Bond Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series A Bond Reserve Account Requirement.

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

Any withdrawals from the Series A Bond Reserve Account shall be subsequently restored from the first Net Revenues available after all required payments to the Series A Sinking Fund and Series A Bond Reserve Account, including any deficiencies for prior payments, have been made in full.

C. On the first day of each month, beginning with the first month in which interest on the Series A Bond shall be payable from the Revenue Fund, the District shall apportion and set apart out of the Revenue Fund and transfer to the Depository Bank, for deposit in the Renewal and Replacement Fund a sum equal to 2-1/2% of Gross Revenues, less any amount transferred to the respective reserve accounts received during the previous month. All funds in the Renewal and Replacement Fund shall be kept separate and distinct from all other funds of the District and the Depository Bank.

Withdrawals and disbursements from the Renewal and Replacement Fund shall be made by the District only for the following purposes:

(1) For the payment of the reasonable costs of replacements, emergency repairs, improvements or extensions to the System;

(2) For the payment of the then payable principal of, premium, if any, and interest on the Series A Bond if there are not sufficient funds therefor in the Series A Sinking Fund (including the Series A Bond Reserve Account); and

(3) To make up any deficiency in the Series A Bond Reserve Account (so that the amount on deposit therein is at least equal to the Series A Bond Reserve Account Requirement), subject to the provisions of Section 4.03 B hereof;

D. The District shall restore any withdrawals from the Series A Bond Reserve Account which have the effect of reducing the value of the funds therein below the Series A Bond Reserve Account Requirement, first from moneys then remaining in the Revenue Fund and next from funds deposited in the Renewal and Replacement Fund and then from the first Net Revenues available after all required deposits to the Series A Sinking Fund, including deposits in respect of deficiencies for prior deposits, have been made in full.

E. (1) On the first day of each month, beginning on the first day of that month which is 13 months prior to the first principal payment date of the Series B Bond, the District shall apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series B Sinking Fund a sum equal to one-twelfth of the amount of principal which will mature and become due on the Series B Bond on the next ensuing principal payment date; provided, that "next ensuing principal payment date" shall not refer to the principal payment date on which any such deposit is made. In the event the period to elapse between the date of such initial deposit in the Series B Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, at least one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(2) To the extent the District has not funded the Series B Bond Reserve Account with Bond proceeds, the District shall next, from the Revenue Fund, remit to the Bond Commission for deposit in the Series B Bond Reserve Account on the first day of each month of each year, beginning with and including the month in which the payments required by Section 4.03E(1) are commenced, an amount equal to 1/120th of the Series B Bond Reserve Account Requirement; provided that no further payments shall be made into the Series B Bond Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series B Bond Reserve Account Requirement.

Moneys in the Series B Bond Reserve Account shall be used only for the purpose of paying the principal of the Series B Bond as the same shall become due, when other moneys in the Series B Sinking Fund are insufficient therefor, and for no other purpose.

Any withdrawals from the Series B Bond Reserve Account shall be subsequently restored from the first Net Revenues available after all required payments to the Series A Sinking Fund, Series A Bond Reserve Account, Renewal and Replacement Fund, Series B Sinking Fund and Series B Bond Reserve Account, including any deficiencies for prior payments, have been made in full.

F. On such dates as the Bond Commission shall require, the District shall remit to the Bond Commission such additional sums from the Revenue Fund as shall be necessary to pay the fiscal agency charges due for paying the Bonds and the interest thereon, if any.

Pending such application, moneys in the Revenue Fund shall be invested in accordance with Article VI hereof.

Moneys on deposit in the Series A Sinking Fund shall be used only for the purposes of paying the principal of and the interest on the Series A Bond as the same shall become due. Moneys on deposit in the Series B Sinking Fund shall be used only for the purpose of paying principal of the Series B Bond as the same shall become due.

The District shall not be required to make further deposits into the Series A Sinking Fund and the Series A Bond Reserve Account therein and the Series B Sinking Fund and the Series B Bond Reserve Account therein when the sums of cash, Government Obligations and interest to be earned on such Government Obligations, without reinvestment in the respective Sinking Funds and Reserve Accounts therein, is at least equal to the aggregate principal amount of Bonds then Outstanding plus the amount of interest due or thereafter to become due thereon.

As and when additional bonds are issued, provision shall be made for additional deposits into the respective Sinking Funds sufficient to pay the interest, if any, on such additional bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum provided and required to be paid into the concomitant sinking fund in any year for account of the bonds of such series, including such additional bonds which by their terms are payable from such sinking fund.

Deposits into the respective Series A Sinking Fund and Series B Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such deposit shall be made on the next succeeding business day. All such deposits

shall be remitted to the Bond Commission with appropriate instructions, consistent with the provisions of this Resolution, as to the custody, use and application of the funds deposited.

G. All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the District, and such amounts shall, during construction of the Project, be deposited in the Construction Trust Fund and following completion of the construction of the Project, shall be deposited in the Revenue Fund and applied in full, first, to the next ensuing interest payment, if any, due on the respective series of Bonds, and then to the next ensuing principal payments or prepayments due thereon.

H. Whenever all the required transfers and deposits from the Revenue Fund have been made and there remains on deposit in the Revenue Fund an amount exceeding the amount estimated to be required to be paid for Operating Expenses during the then current Fiscal Year and the next ensuing Fiscal Year, as determined by resolution of the Board, such Surplus Revenue may be transferred to the Renewal and Replacement Fund or used for any lawful purpose of the System, or payment on other obligations junior, subordinate and inferior to the Series A Bond and the Series B Bond as directed by the Board.

I. If on any payment date Net Revenues are insufficient to make the transfers and deposits hereinabove provided, the deficient transfer or deposit shall be corrected on the next ensuing payment date by payments in addition to the payments otherwise required to be made on such payment date.

J. The Bond Commission hereby is designated as the fiscal agent for the administration of the Series A Sinking Fund and the Series B Sinking Fund. All amounts to be deposited into the respective Sinking Funds shall be remitted by the District to the Bond Commission, as provided herein. All such remittances shall identify clearly the fund or account into which such remittance is to be deposited.

K. Funds on deposit in the Revenue Fund, excess Bond proceeds and the Renewal and Replacement Fund in excess of the amount insured by the FDIC shall be secured at all times to the full extent of such excess by such Qualified Investments as are eligible under the laws of the State to secure deposits of municipal funds.

L. Gross Revenues will be used only for the lawful purposes of the System.

Section 4.04. Construction Trust Fund. The Construction Trust Fund shall be segregated from all other funds and accounts of the Depository Bank or the District and used solely for the purposes provided herein.

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

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

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

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

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

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

Pending such application, moneys in the Construction Trust Fund may be invested and reinvested in Qualified Investments at the discretion of the District.

After completion of the Project, as certified by the Consulting Engineers, any moneys remaining in the Construction Trust Fund shall be applied to (i) the Series A Bond Reserve Account up to the amount of the Series A Bond Reserve Account Requirement; (ii) the Series B Bond Reserve Account up to the amount of the Series B Bond Reserve Account Requirement, and (iii) any remaining amount to the Revenue Fund, with the District to apply such moneys in full first, to the next

ensuing interest payment due on the Series A Bond, second, to the next ensuing principal payment due on the Series A Bond, and third, to the next ensuing principal payment due on the Series B Bond. Notwithstanding the foregoing, if the Authority tenders any Series B Bond to the District pursuant to the provisions of the Supplemental Loan Agreement, such moneys shall be applied to the purchase of such Series B Bond.

Section 4.05. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series A Bond and Series B Bond, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series A Bond and the Series B Bond there shall first be paid any and all borrowings by the District made for temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

B. From the proceeds of the Series A Bond, there shall be deposited with the Bond Commission in the Bond Capitalized Interest Account, the amount, if any, specified in a Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series A Bond for the period commencing on the date of issuance of the Series A Bond and ending six (6) months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series A Bond, there shall be deposited with the Bond Commission in the Series A Bond Reserve Account and from the proceeds of the Series B Bond there shall be deposited with the Bond Commission in the Series B Bond Reserve Account the respective sums, if any, set forth in a Supplemental Resolution for funding of the Series A Bond Reserve Account, and the Series B Bond Reserve Account.

D. The remaining moneys derived from the sale of the Series A Bond and the Series B Bond shall be deposited with the Depository Bank in the Construction Trust Fund and applied solely to payment of the Cost of the Project in the manner set forth in Section 4.04 above.

E. The Depository Bank shall act as a trustee and fiduciary for the holder of the Series A Bond and the Series B Bond, 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 the Cost of the Project and until so expended, are hereby pledged as additional security for the Series A Bond and thereafter for the Series B Bond.

ARTICLE V

ADDITIONAL COVENANTS OF THE DISTRICT

Section 5.01. General Covenants of the District. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the District and shall be enforceable in any court of competent jurisdiction by any holder or holders of the Bonds, as prescribed in Article VII hereof. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, for as long as any Bonds remain Outstanding.

Section 5.02. Bonds Not to be Indebtedness of the District. The Bonds shall not be or constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the 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 District to pay said Bonds or the interest thereon.

Section 5.03. Bonds Secured by Pledge of Net Revenues, Funds and Unexpended Bond Proceeds. The payment of the debt service on the Series A Bond issued hereunder shall be secured forthwith by a first lien on and pledge of the Net Revenues and the payment of the debt service on the Series B Bond issued hereunder shall be secured forthwith by a lien on and pledge of the Net Revenues, but such lien shall be junior and subordinate to the lien on the Net Revenues in favor of the holder of the Series A Bond. Net Revenues in an amount sufficient to pay the principal of, premium, if any, and interest on first, the Series A Bond, and second, the Series B Bond, if any, and to make the deposits into the respective Sinking Funds and all other payments provided for in this Resolution, and the funds on deposit in the respective Sinking Funds, the Renewal and Replacement Fund are pledged irrevocably hereby in the manner provided in this Resolution to the payment of the principal of, premium, if any, and interest, if any, on first, the Series A Bond, and second, the Series B Bond, as the same becomes due and for the other purposes provided in this Resolution. The District hereby pledges the unexpended proceeds, if any, of each series of Bonds as additional

security for payment of the principal of, premium, if any, and interest, if any, on first, the Series A Bond, and second the Series B Bond, until expended in accordance with the provisions of this Resolution.

Section 5.04. Rates. Just and equitable rates and charges for the use of and the service rendered by the System shall be established, all in the manner and form required by law, and copies of such rates and charges so fixed and established at all times shall be kept on file in the offices of the District, open to inspection by all interested parties. The schedule of rates and charges shall produce in each year Gross Revenues sufficient to make the required payments into the funds and accounts created hereunder and to pay Operating Expenses. Such schedule of rates and charges shall be revised from time to time, 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 District hereby covenants and agrees that it will fix, establish and collect rates and charges which always shall provide Net Revenues along with all other revenues of the System after paying all Operating Expenses sufficient to leave a balance each year equal to not less than one hundred fifteen percent (115%) of the maximum annual amount required to pay the interest and principal as the same become due and accomplish retirement of all Bonds, and all other obligations secured by or payable from the Net Revenues prior to or on a parity with the Bonds; provided that in the event that amounts equal to or in excess of the Reserve Account Requirements are on deposit in the respective Reserve Accounts and the reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirements therefor, the foregoing percentage may be adjusted by the District to one hundred ten percent (110%) of the maximum annual amount required to pay the principal of and interest on the Bonds and all other obligations secured by or payable from Net Revenues prior to or on a parity with the Bonds.

Section 5.05. Completion, Operation and Maintenance, Right of Access. The District will expeditiously complete the Project and will provide and maintain competent and adequate resident engineering services satisfactory to the District and the Authority for the supervision and inspection of the construction of the Project, and bearing the responsibility of assuring the construction conforms to the Plans and Specifications and shall require its resident engineer to certify to the Authority and the District at the completion of construction that construction is in accordance with the Plans

and Specifications. Upon completion of the construction, the District will operate and maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner in compliance with the water quality standards established by the West Virginia Department of Natural Resources, as well as all other State and Federal laws, regulations, orders, and standards, with qualified operating personnel properly certified, making expenditures for equipment and for the economical operation and maintenance thereof from Gross Revenues as provided in this Resolution. As long as the Authority shall hold the Bonds, the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the System to examine and inspect the same and shall, prior to, at and after completion of construction and commencement of operation of the System, have such rights of access to the System as may be reasonably necessary to accomplish all of the powers and rights of the Authority in respect of the System pursuant to the pertinent provisions of the Water Development Act.

Section 5.06. Sale of the System while the Bonds are Outstanding. As long as any of the Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Resolution as provided by Sections 9.01 and 9.02 hereof. The proceeds from such sale, mortgage, lease or other disposition of the System immediately shall be remitted to the Bond Commission for deposit in the respective Sinking Funds, and with the written permission of the Authority, or in the event the Authority is no longer a holder of a Bond, the District shall direct the Bond Commission to apply such proceeds to the principal at maturity and interest on the Bonds. Any balance remaining after such payment and discharge shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of Net Revenues.

Section 5.07. Additional Provisions Regarding the Sale of the System. The foregoing provisions notwithstanding, the District 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 District 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 District shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding or by transfer to another political subdivision of the State. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the District to the Bond Commission for deposit in the Series A Bond Sinking Fund and shall be applied only to the purchase of the Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Series A Bond Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The District 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 5.08. Issuance of Other Obligations Payable out of Net Revenues and General Covenant Against Encumbrances.
As long as any Bonds are Outstanding, the District shall not issue any other obligations whatsoever payable from Net Revenues which, as to lien, security and source of payment, rank prior or equal to the Bonds; provided, however, that additional Bonds on a parity with the Series B Bond only may be issued as provided in Section 5.09 hereof.

All obligations issued by the District after the issuance of the Bonds and payable from the Net Revenues of the System, except such additional parity bonds provided for by Section 5.09 shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series A Bond and the Series B Bond; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the respective Reserve Accounts, 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 District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution or upon the System or any part thereof.

Section 5.09. Parity Bonds. A. No Parity Bonds, payable out of Net Revenues, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series B Bond. No Parity Bonds shall be issued which shall be payable out of Net Revenues on a parity with the Series A Bond, unless the Series B Bond is no longer Outstanding.

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

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

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

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

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

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

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

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the holders of the Bonds, and the holders of any Parity Bonds subsequently issued from time to time within the

limitations of and in compliance with this Section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond over any other Bond. The District 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 theretofor issued pursuant to this Resolution.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series A Bond and the Series B Bond, on such revenues. The District 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 A Bond or the Series B Bond.

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 District shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

B. Notwithstanding the foregoing, or any provision of Section 5.08 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 5.09 if there is first obtained by the District the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 5.10. Insurance; Construction and Fidelity Bonds; Workers' Compensation.

A. The District hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the District will, as an Operating Expense, procure, carry and maintain

insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

(3) Workers' Compensation coverage for all employees of or for the System eligible therefor.

(4) Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the District, and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia of 1931, as amended.

(5) Fidelity Bonds for every officer or employee of the District having custody of any funds of the System in an amount at least equal to the total amount of funds in the custody of such officer or employee at any one time.

(6) Flood Insurance, to the extent available at reasonable cost to the District.

(7) Business Interruption Insurance, to the extent available at reasonable cost to the District.

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

Section 5.11. Service Rendered to the District. The District will not render or cause to be rendered any free services of any nature by the System; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail itself or himself 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 District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its general funds sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues and shall be deposited and accounted for in the same manner as other Gross Revenues.

Section 5.12. Enforcement of Collections. The District diligently will enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges as shall become delinquent to the full extent permitted or authorized by the Act or otherwise by the laws of the State. The District shall to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission discontinue and shut off the services and facilities of the System to all users of the service of the System delinquent in payment of charges for the services of the System. The District will not restore the services of the System until all such delinquent amounts, including reasonable interest and penalty charges for services of the System, have been paid in full. As provided in the Act, all fees, rates and charges of the District for water facilities are liens on the premises served of equal dignity, rank and priority with the lien on such premises of State, county and school and municipal taxes. To the extent allowable under the Act, all other laws, and applicable rules and regulations of the Public Service Commission, the District will take reasonable steps to perfect such liens, and upon exhaustion of all other remedies to foreclose upon such premises in the manner required by Section 9a of the Act.

Section 5.13. No Competing Franchise. To the extent legally allowable, the District will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 5.14. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System and the Costs of the Project, and any holder of Bonds and the Authority shall have

the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the District relating thereto. As long as the Authority shall hold the Bonds, the District 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 and the administration of the Bonds, or other sources of financing for the Project.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of the State and the Act. Separate control accounting records shall be maintained by the District. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records, as prescribed by the District. The District 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 District shall be reported to the Board and to such other agents of the District as the Board shall direct.

The District shall file with the Authority, and shall mail in each year to any holder of the Bonds, requesting the same, an annual report containing the following:

A. A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenue 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 the Bonds, and the status of all the funds and accounts.

C. The amount of the Bonds, or other obligations Outstanding.

The District also, at least once a year, shall cause the books, records and accounts of the System to be completely audited by Independent Accountant, shall mail upon request, and make available generally, the report of the Independent Accountant, or a summary thereof, to any holder of the Bonds and shall file the report with the Authority. Said report shall be completed and made available within 120 days following the conclusion of each Fiscal Year. Such audit report shall specifically include a recital that the District is in compliance with the covenants and duties provided in this Resolution or the Loan Agreement and Supplemental Loan Agreement as applicable.

Section 5.15. Initial Schedule of Rates. The rates, fees and other charges for the use of the services and facilities of the System, established under a resolution enacted by the Board on or before the effective date of this Resolution and in full force and effect, or ordered by the Public Service Commission of the State, the time for appeal of such rates, fees and other charges having expired or been waived by any party who could so appeal, shall constitute the initial schedule, rates, fees and charges to be collected for use of the services and facilities of the System.

Section 5.16. Operating Budget. Annually, at least 30 days preceding the beginning of each Fiscal Year, the District shall prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditure for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefore in such budget without a written finding and recommendation by the Consulting Engineers stating in detail the purpose of and necessity for such increased expenditure for the operation and maintenance of the System, and no such increased expenditure shall be made until the District has approved such finding and recommendation by a resolution duly adopted. No increased expenditure in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increase expenditures are necessary for the continued operation of the System. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and shall make available such budget and all such resolutions at all reasonable times to the Authority and, upon request, to any holder of the Bonds, or anyone acting for and in behalf of any such holder of the Bonds.

Section 5.17. Redemption of Bonds Held by Authority. As long as the Authority is the owner of any of the Series A Bond and Series B Bond Outstanding, the District shall not redeem any of such Series A Bond and Series B Bond Outstanding without the written consent of the Authority, and any such redemption of Series A Bond and Series B Bond authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Series A Bond and Series B Bond and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution.

Section 5.18. Payment of Program Expenses. As long as the Bonds are held by the Authority, the District agrees to pay from time to time, as required by the Authority, the District's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses and fees paid to the Trustee and paying agents for the water development revenue bonds. The District hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

In the event the District defaults in the payment of any fees due to the Authority pursuant to this section, the amount of such default shall bear interest at the rate of five percent (5%) per annum, from the date of default until the date of the payment thereof.

Section 5.19. Authority Rights on Default. As long as the Authority shall hold the Bonds, the District hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the District, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Water Development Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System; and the District hereby covenants and agrees that, if the Authority should hereafter have recourse to the rights and powers, the District shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority.

Section 5.20. Authority Approval of Federal Pollution Abatement Assurance. The District hereby covenants and agrees to secure approval of the Authority and all other State agencies having jurisdiction before hereafter applying for federal financial assistance for pollution abatement.

Section 5.21. Tax Covenants. The District hereby further covenants, represents and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. (i) Not in excess of 10% of the Net Proceeds of the Bonds is used for private business use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a private business use or in payments in respect of property used or to be used for a private business use or is to be derived from payments,

whether or not to the District, in respect of property or borrowed money used or to be used for a private business use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Bonds are used for private business use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said private business use or in payments in respect of property used or to be used for said private business use or is to be derived from payments, whether or not to the District, in respect of property or borrowed money used or to be used for said private business use, then said excess of said 5% of Net Proceeds of the Bonds used for a private business use shall be used for a private business use related to the governmental use of the Project.

B. PRIVATE LOAN LIMITATION. Not in excess of the lesser of 5% of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The District 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 of Regulations promulgated thereunder.

D. REPORTING REQUIREMENTS. The District will file all reports or statements necessary to insure the tax-exempt status of the Bonds, including without limitation, the information return required under Section 149(e) of the Code.

Section 5.22. Statutory Mortgage Lien. For the further protection of the holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all holders of each respective series of the Bonds, provided however, that the statutory mortgage lien in favor of the holders of the Series A Bond shall be senior to the statutory mortgage lien in favor of the holders of the Series B Bond.

ARTICLE VI

INVESTMENTS: NON-ARBITRAGE

Section 6.01. Investments. The District shall invest and reinvest, and hereby instructs the Bond Commission and the Depository Bank to invest and reinvest, in Qualified Investments any moneys held as part of the funds and accounts created by this Resolution, other than the Revenue Fund, to the fullest extent possible subject to applicable laws and this Resolution, and the need for such moneys for the purposes set forth herein, and the specific restrictions and provisions set forth in this Section 6.01. The District may direct the Bond Commission and the Depository Bank in writing as to what particular permitted investments shall be made.

Except as otherwise provided herein or as provided below, any investment shall be held in and at all times be deemed a part of the fund or account in which the moneys and investments are held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the corresponding fund or account. The investments held by the Depository Bank shall be valued as of each January 1 and July 1 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 value if such investment is in the "Consolidated Fund"; provided, that no investment shall be sold or reduced by reason of the current market value exceeding the cost thereof. The Bond Commission or the Depository Bank, 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 any loss on such liquidation. The District may invest funds on deposit with the Depository Bank through the trust department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, except losses due to its own gross negligence or willful misconduct.

Any Qualified Investments acquired for the Bond Capitalized Interest Account shall mature or be subject to redemption at the option of the holder at least one day prior to the date on which such moneys are required for transfer to the Paying Agent.

Qualified Investments acquired for the Renewal and Replacement Fund shall mature or be subject to redemption at the option of the holder within three years from the date of such investment.

Qualified Investments acquired for the Series A Bond Reserve Account and the Series B Bond Reserve Account shall mature or be subject to redemption at the option of the holder within five years from the date of such investment.

Section 6.02. Arbitrage. The District covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the District's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.03. Rebates of Excess Arbitrage Earnings to the United States. A. GENERAL COVENANT. The District hereby 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.

B. CREATION OF FUNDS. Notwithstanding the above, 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, 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 District shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on the last day of each Bond Year or on the preceding business day in the event that such last day is not a business day, 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 be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the District on such date shall be credited by an amount equal to the amount so transferred.

C. DUTIES OF DISTRICT IN GENERAL. The District 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 Subsection E and F.

D. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the District shall calculate, and shall provide written notice to the original holder of the Bonds and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the District shall calculate, and shall provide written notice to the holder of the Bonds and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the District 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 Bonds shall be determined based on the actual Yield of the Bonds during the period between the closing date of the 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 Bond, 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.

(E) PAYMENT TO THE UNITED STATES. The District 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 District 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 Bonds, the District 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 District to be used for any lawful purpose of the System. The District shall remit payments to the United States at the address prescribed by the Regulations as the same may be in 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 E, the District shall assure that such payments are made by the District to the United States, on a timely basis, from any funds lawfully available therefor.

F. FURTHER OBLIGATIONS OF DISTRICT. The District shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the District 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.

G. MAINTENANCE OF RECORDS. The District shall keep, and retain for a period of six (6) years following the retirement of the Bonds, records of the determinations made pursuant to this Section 6.03.

H. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 6.03, the District and the Depository Bank (at the expense of the District) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the District or the Depository Bank may deem appropriate.

I. REPORTS TO AUTHORITY. The District shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the District qualifies for the small governmental issue exception to rebate, or any other exception therefrom, then the District shall submit a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series A Bond subject to rebate. The District shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. A. Occurrence of any of the following events shall constitute an "Event of Default" with respect to the Bonds:

1. Default in the due and punctual payment of the principal of, premium, if any, or interest on any Bond;

2. Default in the observance by the District of any of the covenants, agreements or conditions on its part in this Resolution or any Supplemental Resolution or in the Bonds, and continuance thereof for a period of 30 days after written notice specifying such default and requiring that the same be remedied shall have been given to the District or by any holder of the Bonds; or

3. The filing by the District of a petition seeking bankruptcy, reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America or of the State.

Section 7.02. Enforcement. Upon the occurrence and during the continuance of any Event of Default, any holder of the Bonds, may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights. Without limiting the generality of the foregoing, a holder of the Bonds, may:

A. Bring suit for any unpaid principal, premium or interest then due;

B. By mandamus or other appropriate proceeding enforce all rights of the holders, including the performance by the District of its duties under the Act and this Resolution;

C. Bring suit upon the Bonds;

D. By action at law or bill in equity require the District to account as if it were the Trustee of an express trust for the holders of the Bonds; and

E. By action or bill in equity enjoin any acts in violation of this Resolution or of the rights of the holders of the Bonds and provided that all rights and remedies of the holder of the Series B Bond shall be subject to those of the holder of the Series A Bond.

No remedy by the terms of this Resolution conferred upon or reserved to any holders of the Bonds, is intended to be exclusive of any other remedy, but each and every remedy shall be cumulative and shall be in addition to any other remedy given to the holders of any Bonds, hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by any holders of the Bonds shall extend to or affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 7.03. Appointment of Receiver. Any holder of a Bond may, by proper legal action, compel the performance of the duties of the District under this Resolution, any Supplemental Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If any Event of Default shall have occurred and be continuing, in addition to all other remedies or rights, any holder of the Bonds shall have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of, premium, if any, and interest, if any, on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses, and to apply such rates, rentals, fees, charges and any other Gross Revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Bonds, and interest thereon, if any, and under any covenants of this Resolution for the funds and accounts hereby established, and upon any other

obligations and interest thereon having a charge, lien or encumbrance upon the Net Revenues, 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 District upon the entry of an order of the court to that effect. Upon any subsequent Event of Default, any holder of the Bonds, shall have the same right to secure the further appointment of a receiver.

Such receiver, in the performance of the powers hereinabove conferred, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed at the direction 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 District and for the joint protection and benefit of the District and first the holders of the Series A Bond and second the holders of the Series B Bond. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System and the collection of rates and charges related to the services now provided by the System for the sole purpose of the protection of both the District and first the holders of the Series A Bond and second the holders of the Series B Bond, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of the System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Section 7.04. Restoration of District and Holder of the Bonds. In case any holder of the Bonds shall have proceeded to enforce any right under this Resolution by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the claims of such holder of the Bonds, then and in every such case the District and such holder shall be restored to their former positions and rights hereunder, and all rights and remedies of such holder of the Bonds, shall continue as if no such proceedings had been taken, subject to such adverse determination as the court in such proceedings shall have made.

ARTICLE VIII

REGISTRAR; PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar and the Paying Agent of the Bonds shall be appointed by the enactment of a Supplemental Resolution hereto.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE

Section 9.01. Defeasance of Series A Bond. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the holder of the Series A Bond, the principal of, premium, if any, and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect to the Series A Bond only, the pledge of Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the District on behalf of the holder of the Series A Bond, made hereunder, 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 Government Obligations the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of, premium, if any, and interest on such Series A Bond, shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section. Prior to the maturity thereof, the Series A Bond shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section if there shall have been deposited with the Bond Commission either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which, when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission at the same or earlier time will be sufficient, to pay when due the principal of, premium, if any, and interest, if any, due and to become due on the Series A Bond, on and prior to the maturity date thereof. Neither Government Obligations nor moneys deposited with the Bond Commission pursuant to this Section,

nor principal or interest payments on any such Government Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest, if any, on the Series A Bond; provided, that any cash received from such principal or interest payments on such Government Obligations deposited with the Bond Commission if not then needed for such purpose, to the extent practicable shall be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of, premium, if any, and interest, if any, to become due on the Series A Bond, on and prior to the maturity dates thereof and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission or its agent, free and clear of any trust, lien or pledge.

Section 9.02. Defeasance of Series B Bond. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the respective holder of the Series B Bond, the principal of and premium, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect to the Series B Bond only, the pledge of Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the District on behalf of the holders of the Series B Bond, made hereunder, 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 Government Obligations the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and premium, if any, on such Series B Bond, shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section. Prior to the maturity thereof, the Series B Bond shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section if there shall have been deposited with the Bond Commission either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which, when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission at the same or earlier time will be sufficient, to pay when due the principal of and premium, if any, due and to become due on the Series B Bond, on and prior to the maturity date thereof. Neither Government Obligations nor moneys deposited with the Bond Commission pursuant to this Section, nor principal or interest payments on

any such Government Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, on the Series B Bond; provided, that any cash received from such principal or interest payments on such Government Obligations deposited with the Bond Commission if not then needed for such purpose, to the extent practicable shall be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, to become due on the Series B Bond, on and prior to the maturity dates thereof and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission or its agent, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Resolution. No amendment or modification to this Resolution or to any Supplemental Resolution which is materially adverse to the holder of any Bond may be made without the prior written consents, filed with the Secretary of the Board before any such modification or amendment may be made, of the holders of sixty percent in aggregate principal amount of the Bonds then Outstanding. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of, premium, if any, or interest on any Bond, without the express written consent of the holder of such Bond, nor reduce the percentage of Bonds required for consent to any such modification or amendment. Notwithstanding the foregoing, this Resolution may be amended without the consent of any holders of the Bonds as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion from gross income for Federal income taxation of interest on the Bonds.

Section 10.02. Evidence of Signatures of Holders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by the holder of any Bonds, may be in one or more instruments of similar tenor, and shall be signed or executed by such holders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any

purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the District or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

A. The fact and date of the execution by any holder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgements of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn before such a notary public or other officer, or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, trust company or financial firm or corporation satisfactory to the District or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate holder of any Bonds may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or assistant secretary.

C. The amount of Bonds held by a person executing any instrument as a holder of any Bonds, the date of his holding such Bonds, and the numbers and other identification thereof, shall be confirmed by the Register.

Any request, consent or other instrument executed by the holder of any Bond shall bind all future holders and owners of any Bond, in respect to anything done or suffered to be done hereunder by the District or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowed under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Resolution shall be retained in its possession and shall be available at all reasonable times for the inspection of the District, the holders of any Bonds, their agents and representatives, but, at the election of the Registrar, any such reports, certificates, statements or other documents may be destroyed or otherwise

disposed of at any time after such date as the pledge created by this Resolution shall be discharged as provided in Article IX.

Section 10.04. Cancellation of the Bonds. All Bonds purchased or paid and surrendered to the District shall be cancelled and delivered to the Registrar, or if surrendered to the Registrar, shall be cancelled by it. No such cancelled Bonds shall be deemed Outstanding under this Resolution, and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and upon order of the District shall be destroyed, and a certificate evidencing such destruction shall be delivered to the District.

Section 10.05. Failure To Present Bonds. Anything in this Resolution to the contrary notwithstanding, any moneys held by the Bond Commission in trust for the payment and discharge of any of the Bonds which remain unclaimed for one year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the District be paid by the Bond Commission to the District as its absolute property and free from trust, subject to applicable law on escheat, and the Bond Commission thereupon shall be released and discharged with respect thereto, and the holders of such Bonds shall look only to the District for the payment of such Bonds; provided, however, that before making any such payment to the District, at the request of the Bond Commission the Registrar shall send to the holder by certified mail, at the address listed on the Register, a notice that such moneys remain unclaimed and that after a date stated in the notice, which date shall be not less than 30 days after the date on which such notice is mailed, the balance of such moneys then unclaimed will be returned to the District.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the District, the Registrar or the Depository Bank shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

A. The District:

Lubeck Public Service District
Post Office Box 700
Washington, West Virginia 26181
Attention: Chairman of the Public
Service Board; and to

B. Registrar - as shall be set out in
the Supplemental Resolution

C. Depository Bank:

One Valley Bank, National Association
Post Office Box 1793
Charleston, West Virginia 25362

D. Authority:

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

Any party listed above may change the address given for it at any time upon written notice thereof sent by United States mail, postage prepaid, to the other parties.

Section 10.07. Conflicting Provisions Repealed. All orders or resolutions and or parts thereof in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed.

Section 10.08. No Personal Liability. No member of the Board of the District or official or employee of either shall be individually or personally liable for the payment of the principal of, premium, if any, or interest on any Bond, as the case may be, but nothing herein contained shall relieve any such member, official or employee of any duty provided by law or this Resolution.

Section 10.09. Law Applicable. The laws of the State shall govern the construction of this Resolution and all Bonds issued hereunder.

Section 10.10. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the District, the Registrar, the Paying Agent, the Bond Commission, the Depository Bank, the holders of the Bonds, and the Authority, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Registrar, the Paying Agent, the Bond Commission, the Depository Bank, the holders of the Bonds, and the Authority.

Section 10.11. Severability of Invalid Provisions.
If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

Section 10.12. Table of Contents and Headings. The Table of Contents and headings of the articles and sections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.13. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 28th day of March, 1990.

LUBECK PUBLIC SERVICE DISTRICT,

James E. Smith
Chairman

6804P

EXHIBIT A

[Description of the Project]

The public service properties to be constructed will consist of a 2.4 million gallon per day water treatment plant, two water supply wells, equipment of six water supply wells, a 200,000 gallon water storage tank, a 200 gallon per minute booster station, 6,600 feet of water main and other appurtenances within the territorial boundaries of the District. The properties will be located in Lubeck Magisterial District of Wood County, West Virginia.

EXHIBIT B

[FORM OF SERIES A BOND]

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LUBECK PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND, SERIES A

Original
Issuance
Date

Interest
Rate

Bond Date

Registered Owner: WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
Principal Sum: \$ _____

LUBECK PUBLIC SERVICE DISTRICT, a public service district organized and existing under the laws of the State of West Virginia (the "District"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, the Principal Sum specified above to the Registered Owner named above or registered assigns (the "Registered Owner"), in the following principal installments on _____ of each of the following years:

<u>Year</u>	<u>Principal Installment</u>	<u>Year</u>	<u>Principal Installment</u>
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[TO BE INSERTED]

The District further hereby promises solely from such special funds also to pay interest on the outstanding principal balance of this Series A Bond from the Bond Date specified above at the Interest Rate per annum specified above semiannually, on the first day of _____ and the first day of _____ in each year, beginning _____.

The principal of this Series A Bond, and the premium hereon, if any, are payable in any coin or currency which, on the date of payment thereof, 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 as paying agent (the "Paying Agent"). Interest will be paid to the registered owner as of the close of business on the Record Date for such interest payment, which shall be the

fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date. Interest shall be paid by check or draft mailed to the address of such Registered Owner at the address as it appears on the books of the _____ as Registrar (the "Bond Register"), or by such other method as shall be mutually agreeable as long as the Authority is the Registered Owner hereof.

This Series A Bond is the duly authorized Series A Bond (herein referred to as the "Series A Bond") issuable under the Bond Resolution of the District, and pursuant to which this Series A Bond is issued, in the principal amount of \$ _____ and pursuant to which the Series B Bond in the principal amount of \$ _____ is issued, and is issued for the purpose of assisting the District in the permanent financing of costs of acquiring, constructing and installing water treatment, storage and distribution facilities, capitalizing interest during the construction period and for six months thereafter, funding a debt service reserve account, and paying costs of issuance and other costs incidental thereto and to the financing thereof (the "Project"), located within the boundaries of Wood County, West Virginia, all 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 of 1931, as amended (the "Act"), the Resolution duly enacted by the Public Service Board of the District on the _____ day of _____, 19____, as supplemented by a supplemental resolution duly enacted by the Public Service Board of the District on the _____ day of _____, 19____ (collectively, the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, which 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 Series A Bond under the Resolution.

This Series A 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 District and the Authority executed by the District on _____, 19____, as supplemented and amended.

This Series A Bond is issued contemporaneously with the Water System Revenue Bond Series B of the District (the "Series B Bond"), issued in the aggregate principal amount of \$ _____, which Series B Bond is junior and subordinate with respect to liens and sources of security for payment to the Series A Bond.

This Series A Bond and the interest thereon are payable only from and are secured by a first lien on and pledge of the Net Revenues derived from the System, all funds in the Series A Sinking Fund, established under the Resolution, and the unexpended proceeds of the Series A Bond, and the District hereby and in the Resolution pledges such Net Revenues and funds to such payment, and the Net Revenues of the System shall be set aside as a special fund hereby pledged for such purpose. Such Net Revenues shall be sufficient to pay the principal of, premium, if any, and interest on all bonds issued pursuant to the Resolution and which shall be set aside as a special fund hereby pledged for such purpose. This Series A Bond does not constitute a corporate indebtedness of the District within the meaning of any statutory or constitutional limitation, nor shall the District be obligated to pay the same or the interest hereon except from the special fund provided from the Net Revenues of the System, all moneys in the Series A Bond Reserve Account and unexpended Series A Bond proceeds. Under the Resolution, the District has covenanted and agreed to fix, establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the amount required to pay the maximum amount due in any year of principal of and interest on the Series A Bond, the Series B Bond, and all other obligations secured by or payable from such revenues prior to or on a parity with the Series A Bond or the Series B Bond, provided however, that as long as there exists in the Series A Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Series A Bond in the then current or any succeeding year, and in the respective reserve accounts established for the Series B Bond and any other obligations outstanding prior to or on a parity with the Series A Bond or the Series B Bond, an amount at least equal to the respective requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The District has entered into certain further covenants with the Registered Owner of this Series A Bond, for the terms of which reference is made to the Resolution. Remedies provided the Registered Owner of this Series A Bond 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 transferrable, as provided in the Resolution, only upon the books of _____, as registrar (the "Registrar") by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Series A 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.

All moneys received from the sale of the Series A Bond shall be applied solely to pay Costs of the Project as provided 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 Registered Owner of the Series A Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Series A 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 Series A Bond, together with all other obligations of the District, 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 the special funds by the District for the prompt payment of the principal of, premium, if any, and interest on the Series A Bond.

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

This Series A Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the Certificate of Authentication and Registration hereon shall have been manually signed by the Registrar.

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

IN WITNESS WHEREOF, in the manner provided in the Resolution, The District has caused this Series A Bond to be signed by _____, the Chairman of its Public Service Board, and the seal of the District to be impressed hereon and attested by the Secretary, and has caused this Series A Bond to be dated as of the Bond Date shown above.

[SEAL]

Chairman Public Service Board

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and has been duly registered in the name set forth above on the date set forth below.

As Registrar

Date: _____

By: _____,
Its Authorized Officer

ASSIGNMENT

For value received, the undersigned Registered Owner do(es) hereby sell, assign and transfer unto _____

(name, address and social security number or other identifying number of assignee) the within Bond and hereby irrevocably constitute(s) and appoint(s) _____ to transfer the Bond on the books kept for registration of the within Bond with full power of substitution in the premises.

Date: _____

Registered Owner

Signature Guaranteed: _____

Notice: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of this Bond in every particular, without alteration or any change whatsoever.

EXHIBIT C

[FORM OF SERIES B BOND]

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LUBECK PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND, SERIES B

Original
Issuance
Date

Interest
Rate

Bond Date

0.00%

Registered Owner: WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
Principal Sum: \$ _____

LUBECK PUBLIC SERVICE DISTRICT, a public service district organized and existing under the laws of the State of West Virginia (the "District"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, the Principal Sum specified above without interest to the Registered Owner named above or registered assigns (the "Registered Owner"), in the following principal installments on _____ of each of the following years:

<u>Year</u>	<u>Principal Maturing</u>	<u>Year</u>	<u>Principal Maturing</u>
-------------	---------------------------	-------------	---------------------------

[TO BE INSERTED]

The principal of this Series B Bond, and the premium hereon, if any, are payable in any coin or currency which, on the date of payment thereof, 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 as paying agent (the "Paying Agent").

This Series B Bond is the duly authorized Series B Bond (herein referred to as the "Series B Bond") issuable under the Resolution of the District, and pursuant to which this Series B Bond is issued, in the principal amount of \$ _____ and pursuant to which the Series A Bond in the principal amount of \$ _____ (the "Series A Bond") is issued, and is issued for

the purpose of assisting the District in the permanent financing of costs of acquiring, constructing and installing water treatment, storage and distribution facilities, funding a debt service reserve account, and paying costs of issuance and other costs incidental thereto and to the financing thereof (the "Project"), located within the boundaries of Wood County, West Virginia. This Series B 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 of 1931, as amended (the "Act"), the Resolution duly enacted by the Public Service Board of the District on the _____ day of _____, 19__, as supplemented by supplemental resolution duly enacted by the Public Service Board of the District of the _____ day of _____, 19__ (collectively, the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, which 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 Series B Bond under the Resolution.

This Series B 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 Supplemental Loan Agreement between the District and the Authority executed by the District on _____, 19__, as supplemented and amended.

This Series B Bond is payable only from and is secured by a second lien on and pledge of the Net Revenues derived from the System after there has first been paid from such Net Revenues all payments then due and owing on account of the Series A Bond herein described, moneys in the Series B Bond Reserve Account created under this Resolution, and the unexpended proceeds of the Series B Bond. Such Net Revenues shall be sufficient to pay the principal of, premium, if any, and interest, if any, on all bonds issued pursuant to the Resolution and which shall be set aside as a special fund hereby pledged for such purpose. This Series B Bond does not constitute a corporate indebtedness of the District within the meaning of any statutory or constitutional limitation, nor shall the District be obligated to pay the same except from the special fund provided from the Net Revenues of the System, all moneys in the Series B Bond Reserve Account and unexpended Series B Bond proceeds. Under the Resolution, the District has covenanted and agreed to fix, establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least one

hundred fifteen percent (115%) of the amount required to pay the maximum amount due in any year of principal of and interest, if any, on the Series B Bond, the Series A Bond, and all other obligations secured by or payable from such revenues prior to or on a parity with the Series A Bond or the Series B Bond, provided however, that as long as there exists in the Series B Bond Reserve Account an amount at least equal to the maximum amount of principal which will become due on the Series B Bond in the then current or any succeeding year, and in the respective reserve accounts established for the Series A Bond and any other obligations outstanding prior to or on a parity with the Series A Bond or the Series B Bond, an amount at least equal to the respective requirements therefor, such percentage may be reduced to one hundred ten percent (110%). The District has entered into certain further covenants with the Registered Owners of the Series B Bond, for the terms of which reference is made to the Resolution. Remedies provided to the Registered Owners of the Series B Bond 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 Series B Bond is transferrable, as provided in the Resolution, only upon the books of _____,

as registrar (the "Registrar") by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of the Series B 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.

All moneys received from the sale of the Series B Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to pay 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 Registered Owners of the Series B Bond, which lien is subordinate to the lien in favor of the Registered Owner of the Series A Bond.

THIS SERIES B BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SERIES A BOND ISSUED CONCURRENTLY HERewith IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____ DESCRIBED IN THE RESOLUTION.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Series B 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 Series B Bond, together with all other obligations of the District, 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 the special funds by the District for the prompt payment of the principal of and premium, if any, on this Series B Bond.

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

This Series B Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the Certificate of Authentication and Registration hereon shall have been manually signed by the Registrar.

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

IN WITNESS WHEREOF, in the manner provided in the Resolution, The District has caused this Series B Bond to be signed by _____, the Chairman of its Public Service Board, and the seal of the District to be impressed hereon and attested by the Secretary, and has caused this Series B Bond to be dated as of the Bond Date shown above.

[SEAL]

Chairman Public Service Board

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and has been duly registered in the name set forth above on the date set forth below.

As Registrar

Date: _____

By: _____
Its Authorized Officer

ASSIGNMENT

For value received, the undersigned Registered Owner do(es) hereby sell, assign and transfer unto _____

(name, address and social security number or other identifying number of assignee) the within Bond and hereby irrevocably constitute(s) and appoint(s) _____ to transfer the Bond on the books kept for registration of the within Bond with full power of substitution in the premises.

Date: _____

Registered Owner

Signature Guaranteed: _____

Notice: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of this Bond in every particular, without alteration or any change whatsoever.

EXHIBIT D

LOAN AGREEMENT

See Transcript Item # 9.

EXHIBIT E

SUPPLEMENTAL LOAN AGREEMENT

See Transcript Item # 10.

LUBECK PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BONDS
SERIES A AND SERIES B

FIRST SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY, INTEREST RATE, PRINCIPAL PREPAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE WATER SYSTEM REVENUE BONDS SERIES A AND SERIES B OF LUBECK PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; APPROVING AND ADOPTING THE RATES AND CHARGES AS ESTABLISHED BY THE WEST VIRGINIA PUBLIC SERVICE COMMISSION IN THE ORDER GRANTING THE DISTRICT A CERTIFICATE OF CONVENIENCE AND NECESSITY; AND MAKING OTHER PROVISIONS AS TO THE SERIES A AND SERIES B BONDS.

WHEREAS, the public service board (the "Board") of Lubeck Public Service District (the "District"), has duly and officially adopted a bond resolution, effective March 28, 1990 (the "Resolution"), entitled:

A RESOLUTION AUTHORIZING THE CONSTRUCTION AND ACQUISITION OF a WATER TREATMENT PLANT AND AN EXTENSION TO THE EXISTING WATERWORKS SYSTEM IN THE LUBECK PUBLIC SERVICE DISTRICT, WOOD COUNTY, WEST VIRGINIA, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE LUBECK PUBLIC SERVICE DISTRICT OF NOT MORE THAN \$3,285,500 IN AGGREGATE PRINCIPAL AMOUNT OF WATER SYSTEM REVENUE BONDS, SERIES A AND SERIES B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER SYSTEM REVENUE BONDS; AUTHORIZING THE SALE OF SUCH WATER SYSTEM REVENUE BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY BY SUPPLEMENTAL RESOLUTION; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Water System Revenue Bonds Series A and Series B of the District (the "Bonds"), in a principal amount not to exceed \$3,285,500 and has authorized the execution and delivery of a Loan Agreement and a Supplemental Loan Agreement relating to the Bonds each executed by the District on February 7, 1990, by and between the District and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act"); and in the Resolution it is provided that the exact principal amount, maturity date, interest rate, interest and principal prepayment schedule, sale price and other terms of the Bonds may be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds and to the Project be herein provided for;

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

WHEREAS, the Board deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the exact principal amount, the price, the maturity date, the redemption provision, the interest rate and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds and to the Project be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF LUBECK PUBLIC SERVICE DISTRICT:

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

a. The Series A Bond designated R-1 shall be issued in the form of a single bond in typewritten form fully registered to the West Virginia Water Development Authority, in the denomination of \$3,139,013.00, with interest thereon at the rate of 7.85% per annum payable semi-annually on October 1 and April 1, first interest payable on October 1, 1990, representing the aggregate principal amount of the Series A Bond issue and shall mature in principal installments on October 1 of each year as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
1991	\$ 13,648.00	7.85%
1992	14,720.00	7.85%
1993	15,876.00	7.85%
1994	17,122.00	7.85%
1995	18,466.00	7.85%
1996	19,915.00	7.85%

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
1997	21,479.00	7.85%
1998	23,165.00	7.85%
1999	24,983.00	7.85%
2000	26,945.00	7.85%
2001	29,060.00	7.85%
2002	31,341.00	7.85%
2003	33,801.00	7.85%
2004	36,455.00	7.85%
2005	39,316.00	7.85%
2006	42,403.00	7.85%
2007	45,731.00	7.85%
2008	49,321.00	7.85%
2009	53,193.00	7.85%
2010	57,368.00	7.85%
2011	61,872.00	7.85%
2012	66,729.00	7.85%
2013	71,967.00	7.85%
2014	77,616.00	7.85%
2015	83,709.00	7.85%
2016	90,280.00	7.85%
2017	97,367.00	7.85%
2018	105,011.00	7.85%
2019	113,254.00	7.85%
2020	122,144.00	7.85%
2021	131,733.00	7.85%
2022	142,074.00	7.85%
2023	153,227.00	7.85%
2024	165,255.00	7.85%
2025	178,228.00	7.85%
2026	192,218.00	7.85%
2027	207,308.00	7.85%
2028	223,581.00	7.85%
2029	241,132.00	7.85%

b. The Series B Bond designated R-1 shall be issued in the form of single Bond in typewritten form, fully registered to the West Virginia Water Development Authority, in the denomination of \$146,487.00, without interest, representing the aggregate principal amount of the Series B Bond issue, and shall mature in principal installments on October 1, of each year after date as follows:

<u>Year</u>	<u>Installment</u>
1991	\$3,755.96
1992	3,756.08
1993	3,756.08
1994	3,756.08
1995	3,756.08
1996	3,756.08
1997	3,756.08
1998	3,756.08

<u>Year</u>	<u>Installment</u>
1999	3,756.08
2000	3,756.08
2001	3,756.08
2002	3,756.08
2003	3,756.08
2004	3,756.08
2005	3,756.08
2006	3,756.08
2007	3,756.08
2008	3,756.08
2009	3,756.08
2010	3,756.08
2011	3,756.08
2012	3,756.08
2013	3,756.08
2014	3,756.08
2015	3,756.08
2016	3,756.08
2017	3,756.08
2018	3,756.08
2019	3,756.08
2020	3,756.08
2021	3,756.08
2022	3,756.08
2023	3,756.08
2024	3,756.08
2025	3,756.08
2026	3,756.08
2027	3,756.08
2028	3,756.08
2029	3,756.08

c. The Bonds shall be subject to redemption prior to maturity to the extent, under the conditions and subject to the limitations set forth in the Loan Agreement and Supplemental Loan Agreement.

Section 2. The District hereby approves the sale of the Series A Bond and the Series B Bond to the Authority at the par value thereof.

Section 3. The District does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds, and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the District and the Registrar in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the District are hereby authorized, approved and directed.

Section 4. The District does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent for the Bonds.

Section 5. The District does hereby appoint and designate One Valley Bank, National Association, a national banking association, Charleston, West Virginia, as Depository Bank under the Resolution.

Section 6. The District does hereby approve and adopt the rates and charges as established by the West Virginia Public Service Commission in the Order granting the District a Certificate of Convenience and Necessity in Case No. 89-160-PWD-CN.

Section 7. Series A Bond proceeds in the amount of \$492,289 shall be deposited in the Bonds Capitalized Interest Fund within the Series A Sinking Fund, as capitalized interest.

Section 8. Series A Bond proceeds in the amount of \$260,062 shall be deposited in the Series A Bond Reserve Account within the Series A Sinking Fund.

Section 9. Series B Bond proceeds in the amount of \$3,756 shall be deposited in the Series B Bond Reserve Account within the Series B Sinking Fund.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered on or about April 2, 1990, to the Authority pursuant to the Loan Agreement and the Supplemental Loan Agreement.

Section 11. 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 12. The District hereby determines that it is in the best interest of the District to invest all moneys in the funds and accounts established by the Resolution according to the letter of instructions of the District to be delivered at the closing (the "Letter of Instructions"), and the District hereby directs the Depository Bank and the Paying Agent to take such actions as may be necessary to cause such moneys to be invested in accordance therewith.

Section 13. The District hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the District heretofore incurred for the purpose of

temporarily financing a portion of the Costs of the Project, including, but not limited to, any borrowings incurred for the purpose of paying engineering or design costs.

Section 14. Pursuant to Section 148(f)(4)(B)(iv) of the Code, as amended, the District hereby covenants and agrees to use not less than 75% of the net proceeds of the Series A Bond for construction expenditures on the Project. The District reasonably expects, as of the date hereof, to spend the net proceeds of the Series A Bond for the governmental purposes of the issue as follows:

(i) not less than 10% within 6 months after the date of issue of the Series A Bond;

(ii) not less than 45% within 12 months after the date of issue of the Series A Bond;

(iii) not less than 75% within 18 months after the date of issue of the Series A Bond;

(iv) not less than 100% within 24 months after the date of issue of the Series A Bond, unless the District is required to retain not more than 5% of the net proceeds of the Series A Bond as reasonable retainage under its construction contracts, in which case, said reasonable retainage shall be expended within 36 months after the date of issue of the Series A Bond.

As used in this Section 14 the term "net proceeds" shall include investment proceeds earned before the close of the periods above set out on the investment of the sale proceeds of the Series A Bond.

In the event that the net proceeds of the Series A Bond are not spent in the minimum percentages set out in this Section 14 within the times set out herein, the District hereby elects, pursuant to Section 148(f)(4)(B)(iv)(V) of the Code, to have the rebate provisions of Section 148 of the Code applied to the Series A Bond from its date of issue.

The District further elects, pursuant to Section 148(f)(4)(B)(iv)(VI) of the Code, to include within the term "net proceeds", as used in this Section 14, investment earnings on the Series A Bond Reserve Account.

Section 15. This Supplemental Resolution shall be effective immediately upon adoption.

Adopted this 28th day of March, 1990.

LUBECK PUBLIC SERVICE DISTRICT

By: James E. Smith
James E. Smith, Chairman

6820P

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"), and the governmental agency designated below (the "Governmental Agency").

LUBECK PUBLIC SERVICE DISTRICT
(Name of Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all 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 water development 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 water development 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 Section 5 of the Act and having available sufficient funds therefor, the Authority is willing 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 proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a certain general revenue bond resolution adopted by the Board of the Authority (the "General Resolution"), as supplemented, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development 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," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Consulting Engineers" means the consulting engineer designated in the Application and any successor thereto.

1.3 "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.

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

1.5 "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 with a portion of the proceeds of its water development revenue bonds, all in accordance with the provisions of this Loan Agreement.

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

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

1.8 "Project" means the water development 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 or being or having been constructed by the Governmental Agency in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.9 "System" means the water development 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.

1.10 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 having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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.

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 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 in respect of 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 representatives, to inspect all books, documents, papers and records relating to the Project 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 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 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.

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 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 Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority 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 delivered to the Authority for purchase 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, 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), 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 Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountants 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) 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 Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not execute this Loan Agreement unless and until it has available 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. The Governmental Agency further specifically recognizes that during the last 90 days of a period to originate Loans from its water development revenue bond proceeds, the Authority may execute Loan Agreements, commit moneys and close Local Bond sales in such order and manner as it deems in the best interest of the Program.

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:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

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

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be

issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds; 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 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 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;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

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

(xiv) That the proceeds of the Local Bonds, except for accrued interest and capitalized interest, if any, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the 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 shall not authorize redemption of any Local Bonds by it without the written consent of the Authority 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; and

(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 Authority's water development revenue bonds.

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.

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

4.4 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, 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 pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for the water development revenue bonds. The Authority shall provide both the Governmental Agency and the trustee for the water development revenue bonds with a schedule of such fees and charges, and the Governmental Agency shall pay such fees and charges on the dates indicated directly to the trustee. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.7 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the Authority's bonds.

4.8 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment

of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

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 Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the 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 Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

6.2 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to evidence the Governmental Agency's obligation to repay to the Authority any grant received by the Governmental Agency from the Authority in excess of the amount to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority. Also at the option of the Authority, the Governmental Agency may issue and sell to the Authority additional, subordinate bonds for such purposes as may be acceptable to the Authority.

6.3 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.

6.4 The Governmental Agency hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority for the planning or design of the Project, and such repayment shall be a condition precedent to the Authority's making the Loan.

6.5 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.

6.6 Notwithstanding Section 6.5, 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.

6.7 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.

6.8 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 are 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 Schedule X shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

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 6.3 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.

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.

LUBECK PUBLIC SERVICE DISTRICT
[Proper Name of Governmental
Agency]

(SEAL)

By James E. Smith
Its Chairman, Public Service Board

Attest:

Date: February 7, 1990

Charles A. Huff
Its Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By Daniel B. Yankosky
Director

Attest:

Date: March 28, 1990

Barbara B. Meadows
Secretary-Treasurer

WDA-5X
(March 1988)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$3,139,013.00
Purchase Price of Local Bonds \$3,139,013.00

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semiannual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 7.85 % per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

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

As of the date of the Loan Agreement, the Local Bonds are subordinate as to source of and security for payment to the following obligations:

Lubeck Public Service District
 Debt Service Schedule
 Analysis of Borrowing from Series 1989 B Pool
 39 Principal Payments
 Closing Date: 02-Apr-90

Date	Coupon	Principal	Interest	Debt Service 7.85% Bonds
01-Oct-90			122,521.78	122,521.78
01-Oct-91	7.85%	13,648.00	246,412.52	260,060.52
01-Oct-92	7.85%	14,720.00	245,341.15	260,061.15
01-Oct-93	7.85%	15,876.00	244,185.63	260,061.63
01-Oct-94	7.85%	17,122.00	242,939.37	260,061.37
01-Oct-95	7.85%	18,466.00	241,595.29	260,061.29
01-Oct-96	7.85%	19,915.00	240,145.71	260,060.71
01-Oct-97	7.85%	21,479.00	238,582.38	260,061.38
01-Oct-98	7.85%	23,165.00	236,896.28	260,061.28
01-Oct-99	7.85%	24,983.00	235,077.83	260,060.83
01-Oct-2000	7.85%	26,945.00	233,116.66	260,061.66
01-Oct-2001	7.85%	29,060.00	231,001.48	260,061.48
01-Oct-2002	7.85%	31,341.00	228,720.27	260,061.27
01-Oct-2003	7.85%	33,801.00	226,260.00	260,061.00
01-Oct-2004	7.85%	36,455.00	223,606.62	260,061.62
01-Oct-2005	7.85%	39,316.00	220,744.90	260,060.90
01-Oct-2006	7.85%	42,403.00	217,658.60	260,061.60
01-Oct-2007	7.85%	45,731.00	214,329.96	260,060.96
01-Oct-2008	7.85%	49,321.00	210,740.08	260,061.08
01-Oct-2009	7.85%	53,193.00	206,868.38	260,061.38
01-Oct-2010	7.85%	57,368.00	202,692.73	260,060.73
01-Oct-2011	7.85%	61,872.00	198,189.34	260,061.34
01-Oct-2012	7.85%	66,729.00	193,332.39	260,061.39
01-Oct-2013	7.85%	71,967.00	188,094.16	260,061.16
01-Oct-2014	7.85%	77,616.00	182,444.75	260,060.75
01-Oct-2015	7.85%	83,709.00	176,351.90	260,060.90
01-Oct-2016	7.85%	90,280.00	169,780.74	260,060.74
01-Oct-2017	7.85%	97,367.00	162,693.76	260,060.76
01-Oct-2018	7.85%	105,011.00	155,050.45	260,061.45
01-Oct-2019	7.85%	113,254.00	146,807.09	260,061.09
01-Oct-2020	7.85%	122,144.00	137,916.65	260,060.65
01-Oct-2021	7.85%	131,733.00	128,328.35	260,061.35
01-Oct-2022	7.85%	142,074.00	117,987.31	260,061.31
01-Oct-2023	7.85%	153,227.00	106,834.50	260,061.50
01-Oct-2024	7.85%	165,255.00	94,806.18	260,061.18
01-Oct-2025	7.85%	178,228.00	81,833.66	260,061.66
01-Oct-2026	7.85%	192,218.00	67,842.76	260,060.76
01-Oct-2027	7.85%	207,308.00	52,753.65	260,061.65
01-Oct-2028	7.85%	223,581.00	36,479.97	260,060.97
01-Oct-2029	7.85%	241,132.00	18,928.86	260,060.86

3,139,013.00 7,125,894.09 10,264,907.09

SCHEDULE Y
REVENUES

In accordance with Subsection 4.1(a) of the Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

- (i) to pay Operating Expenses of the System;
- (ii) to the extent not otherwise limited by an outstanding local resolution, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth ($1/6$) of the interest payment next coming due on the Local Bonds and one-twelfth ($1/12$) of the principal payment next coming due on the Local Bonds and, if the Reserve Account was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit) in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount not less than one-twelfth ($1/12$) of one-tenth ($1/10$) (or such other amount as shall be acceptable to the Authority and as shall fund the Reserve Account over not more than 10 years) 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;
- (iv) to provide debt service on and requisite reserves for any subordinate indebtedness of the Governmental Agency held or owned by the Authority; and

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

SCHEDULE 2

Additional and Supplemental Definitions

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

2. "System" means the public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses, owned by the Governmental Agency, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, a permit from the West Virginia Department of Health.

2. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of the System until all delinquent charges for the services of the System have been fully paid.

3. Subject to any prior or parity obligations described in Schedules X and Y attached to the Loan Agreement, the net revenues derived from the operation of the System are pledged to the payment of the principal of and interest on the Local Bonds.

4. The paying agent for the Local Bonds shall be the West Virginia Municipal Bond Commission or any successor to the functions thereof.

5. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall deliver to the Authority a certificate representing the following:

- (a) The Governmental Agency expects to enter into a contract within six months of the date thereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2-1/2 percent of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or \$100,000;
- (b) Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years from the date of issuance of the Authority's water development revenue bonds;
- (c) All of the proceeds from the sale of the Local Bonds which will be used for payment of costs of the Project will be expended for such purpose within three years from the date of issuance of the Authority's water development revenue bonds; and
- (d) The Governmental Agency does not expect to sell or otherwise dispose of the Project, in whole or in part, prior to the last maturity date of the Local Bonds.

WDA-2
(March 1988)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

APPLICATION FOR A CONSTRUCTION LOAN

The undersigned Governmental Agency (the "Applicant") hereby applies to the West Virginia Water Development Authority (the "Authority") for a loan which will provide proceeds in the estimated amount shown on Line 20 of Schedule A hereto, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended. Such loan is to be made by the purchase by the Authority of one or more series of revenue bonds to be issued by the Applicant, to finance on a long term basis part of the cost of constructing the water development project hereinafter described (the "Project"). This Application shall not constitute a contract or a commitment to enter into a contract.

I. GENERAL

1. Full legal name and address of Applicant: _____
Lubeck Public Service District
P.O. Box 700; Washington, WV 26181
Year established: 1958 Telephone number: (304)863-3341
2. Name and title of chief executive officer of Applicant:
James E. Smith, Chairman
Board of Commissioners
Telephone number: (304) 863-3341

3. Location of Project: Wood County, West Virginia
4. Name, address and telephone number of bond counsel:
William R. Pfalzgraf 485-8500
Davis, Bailey, Pfalzgraf and Hall
P.O. Box 48
Parkersburg, WV 26102
5. Name, address and telephone number of local attorney:
Lawrence M. Ronning 422-6481
Attorney at Law
P.O. Box 1625
Parkersburg, WV 26102
6. Name, address and telephone number of consulting engineer: Ronald R. Schultz, P.E. 485-8541
Burgess & Niple, Limited
4424 Emerson Avenue
Parkersburg, WV 26104
7. Name, address and telephone number of independent certified public accountant:
Philip R. Postlewait, Jr. CPA 422-7444
P.O. Box 1281
Parkersburg, WV 26102
8. Describe any bond anticipation notes or other interim construction financing outstanding in connection with the Project. The description should include the title, the principal amount currently outstanding, the repayment schedule and the security and source of payment. If the obligations are secured by a lien on or payable from revenues of the System, as hereinafter defined, the obligations should be paid or otherwise taken out with a portion of the proceeds of the revenue bonds issued to the Authority. If that is not anticipated, please contact the Authority. If no such interim construction obligations are outstanding, check this blank: XX.
9. Describe all outstanding waterworks revenue bonds, sewerage system revenue bonds or combined waterworks and sewerage system revenue bonds relating to the System, as hereinafter defined, and attach copies of all related ordinances or resolutions. The description should include the principal amount of such bonds currently outstanding and a schedule of remaining debt service. Restrictions regarding the issuance of additional bonds and the security available for such additional bonds (prior, parity or subordinate) should be described. If no such bonds are outstanding, check this blank:

II. ENGINEERING

(Attach separate sheets of paper as needed.)

1. Proposed Project:

a. Type:

Wastewater Treatment/Collection Facility _____

Potable Water Treatment/Distribution Facility X

b. Description: Project will construct a 2.4 million gallon per day water treatment, drill two water supply wells, equip 6 water supply wells, construct a 200,000 gallon water storage tank, construct a 200 gpm booster station, and construct 6600 feet of water main.

2. Enclose one copy of the feasibility study or facilities plan. A copy of the preliminary report is attached.

3. Check permits required for the Project and date received or, if not yet received, date application was submitted:

X West Virginia Department of Health;
date received 4/12/89, 6/5/89, and 6/2/89
or application submitted _____

X West Virginia Department of Natural Resources;
date received _____
or application submitted 3/7/89

X Other: West Virginia Department of Highways;
(specify)
date received 5/31/89 (contingent upon bond)
or application submitted _____

X Other: Public Land Corporation;
(specify)
date received 4/3/89
or application submitted _____

4. List all grants awarded or applied for and assumed in Schedule A. If already awarded, attach copy of grant award or approval. If not yet awarded, give date application was submitted and briefly describe status.

None

5. Proposed construction schedule (include construction activities already completed or in process):

Project Months 1 through 15 - Construct water treatment plant
Project Months 1 through 5 - Construct water supply wells
Project Months 1 through 8 - Construct water storage tank
Project Months 1 through 4 - Construct water main
Project Months 3 through 7 - Construct office and storage

For construction purposes, we presently expect project month 1 to be March, 1990.

6. Complete attached Schedule A: "Estimated Total Cost of Project and Sources of Funds." Prepare and attach (as Schedule B) a complete "Cash Flow Analysis" for the construction and acquisition of the Project. Such Cash Flow Analysis should show, among other things, the estimated date and amount of disbursements for Project costs and receipts of bond, note and grant proceeds and any other funds (including lines of credit) used and to be used for construction and acquisition of the Project.
7. Describe existing facilities, if any, to which the Project will constitute an addition or improvement (together with future additions or improvements, the "System"). If the Project is a start-up system, check this blank: _____.

(See Attached Sheet)

8. Set forth temporary or interim rates during construction (if interest is not capitalized), permanent rates proposed to be put in effect and estimated date on which permanent rates are proposed to be put in effect which must be no later than upon completion of the Project. Include the following information:

(a) Detailed breakdown of gross revenues by customer class, i.e., domestic, commercial, industrial and miscellaneous, including numbers and projected flows and data supporting flow projections. This data is to

For purposes of providing the information in Paragraph 8, an annual interest rate of 8.0 percent (8.0%) should be assumed. With respect to the bond issue calculated on Schedule A, approximate level debt service with principal payments beginning on the first October occurring at least one year after estimated completion of construction of the Project and ending October 1, 2029, should be used.

II. ENGINEERING

(Additional Information)

3. _____ Other: West Virginia Department of Natural Resources,
Division of Water Resources
date received 3/28/89
7. The improvements proposed will represent a major improvement to an existing water system. Existing system components to remain in use include 3 water storage tanks and approximately 55 miles of water main. In addition, three existing water supply wells will be provided with pumping equipment and the pumping equipment in a third supply well will be replaced.

be for the first full year of operation after completion of the Project. Detailed breakdown of operation and maintenance staffing and expenses by utility code classification, including supporting data and explanation of major expense items. This data is to be for the first full year of operation after completion of the Project.

(b) Projected operations during construction (if temporary rates are in effect) and for the first three years of operation after completion of the Project, broken down as to gross revenues, operation and maintenance expenses, resulting net revenues and projected number of customers of the System at the end of each such fiscal year.

(c) Estimated debt service and estimated debt service coverage during such three-year period should be shown based on all outstanding obligations payable from the revenues of the System and the estimated size of the bond issue calculated on Schedule A.

9. Set forth the rates for any existing System described in Paragraph 7, above, that have been in effect for the last three fiscal years. Include gross revenues, operation and maintenance expenses by utility code classification for the last three fiscal years, resulting net revenues and number of customers by class, i.e., domestic, commercial, industrial and miscellaneous, of such System at the end of each fiscal year. The last three years' audits by the independent auditors for the System or, if not available for any of said three years, the reports to the Public Service Commission of West Virginia regarding the System must be submitted with this Application. The above requirements of this paragraph may be omitted if all information is contained in such audits or reports.

* * * * *

The undersigned, as a duly authorized representative of the Consulting Engineer, certifies that he has completed paragraphs 1, 2, 3, 4, 5, and 7 of Part II of this Application, including the exhibit documents attached, and consents to the use of such information by the Authority in connection with the financing of the Project.

Ronald R. Schults
(Signature)

Date: November 21, 1989

The undersigned, as a duly authorized representative of the Accountant, certifies that he has completed paragraphs 6, 8 and 9 of Part II of this Application, including the exhibit documents attached, and consents to the use of such information by the Authority in connection with the financing of the Project.

Philip R. Fortenberry, CPA
(Signature)

-5- Date: 11-21, 19 89

The undersigned officer of the Applicant hereby certifies to the West Virginia Water Development Authority that he is duly authorized to execute this Application on behalf of the Applicant and that the information contained in this Application and in the exhibit documents attached hereto is true, correct and complete to the best knowledge and belief of the undersigned.

Name of Applicant (Typed): Lubeck Public Service District

By: (Signature) x James E. Smith

Title: Chairman, Board of Commissioners

Date: November 17, , 19 89

DATE: 11-21-89

SCHEDULE A
NAME OF GOVERNMENTAL AGENCY: Lubeck Public Service District
ESTIMATED TOTAL COST OF PROJECT AND SOURCES OF FUNDS

A. Cost of Project

1. Construction	\$ <u>3,869,936</u>
2. Technical Services	\$ <u>690,000</u>
3. Legal and Fiscal	\$ <u>50,000</u>
4. Administrative	\$ <u>40,000</u>
5. Site and Other Lands	\$ <u>32,227</u>
6. Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: _____)	\$ _____
7. Interim Financing Costs	\$ _____
8. Contingency	\$ _____
9. Total of Lines 1 through 8	\$ <u>96,750</u>

\$ 4,778,913

B. Sources of Funds

10. Federal Grants: ' (Specify Source) _____	\$ _____
11. State Grants: ' (Specify Source) _____	\$ _____
_____	\$ _____
_____	\$ _____
12. Other Grants: ' (Specify Source) _____	\$ _____
13. Any Other Source, ' (Specify) _____	\$ _____
_____	\$ _____
14. Total of Lines 10 through 13	\$ <u>1,850,000</u>
15. Net Proceeds Required from Bond Issue (Line 9 less Line 14)	\$ <u>71,226</u>
	\$ <u>220,723</u>
	\$ _____

\$ 2,141,949

\$ 2,636,964

C. Cost of Financing

6. Capitalized Interest (construction period plus six months)	\$ <u>372,351</u>
7. Funded Reserve Account	\$ <u>276,185</u>
8. Other Costs: '	\$ _____
9. Total Cost of Financing	\$ _____
10. Size of Bond Issue (Line 15 plus Total from Line 19)	\$ <u>648,536</u>
	\$ <u>3,285,500</u>

1 Attach supporting documentation, if available. If not yet available,
2 state such.

For example, interest earnings during construction, if applicable.

3 Include the proceeds of any parity or subordinate bond issue to be
used for such purpose and attach supporting documentation if available.

4 Consult with bond counsel and the Authority before assuming a funded
reserve.

5 For example, fees of bond counsel for the Governmental Agency.

Additional or explanatory material may be provided on additional sheets
attached to Schedule A.

James E. Smith
Lubeck Public Service District
APPLICANT

Ronald R. Schulz
Burgess & Niple, Limited
CONSULTING ENGINEER

Philip R. Postlewait, Jr.

Philip R. Postlewait, Jr.
CONSULTING ACCOUNTANT

SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL 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"), and the governmental agency designated below (the "Governmental Agency").

LUBECK PUBLIC SERVICE DISTRICT
(Name of Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all 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 water development 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, including supplemental, subordinate revenue bonds, issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct, is constructing or has constructed such a water development 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;

WHEREAS, on or prior to the date hereof, the Governmental Agency and the Authority entered a loan agreement with respect to the purchase by the Authority of certain Local Bonds of the Governmental Agency, all as more specifically described in Exhibit A attached hereto and incorporated herein by reference (the "Loan Agreement"); and

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act, and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of supplemental, subordinate revenue bonds of the Governmental Agency with certain available funds of the Authority (other than the proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a certain general revenue bond resolution adopted by the Board of the Authority, as supplemented), subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's supplemental water development loan program (the "Supplemental 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; Loan Agreement

1.1 Capitalized terms used and not otherwise defined herein shall have the meanings respectively given them by the Loan Agreement.

1.2 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

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

1.4 "Supplemental Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, to evidence the Supplemental Loan, as hereinafter defined, and to be purchased by the Authority with certain available funds (other than the proceeds of its water development revenue bonds), the lien of which on the revenues

of the System is junior, subordinate and inferior to that of the Local Bonds, all in accordance with the provisions of this Supplemental Loan Agreement.

1.5 "Supplemental Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Supplemental Bonds pursuant to this Supplemental Loan Agreement.

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

1.7 This Supplemental Loan Agreement is supplemental to the Loan Agreement, the terms of which are incorporated herein by reference.

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 having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

2.2 Subject to the terms, conditions and provisions of this Supplemental 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.

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 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 in respect of 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 representatives, to inspect all books, documents, papers and records relating to the Project 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 and the administration of the Supplemental 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 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.

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 and maintained so long as any of the Supplemental Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Supplemental 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 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 Supplemental Loan Agreement.

2.11 The Governmental Agency hereby covenants and 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 construction of the Project and operation, maintenance and use of the System.

ARTICLE III

Conditions to Supplemental Loan; Issuance of Supplemental Bonds

3.1 The agreement of the Authority to make the Supplemental 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 Supplemental Bonds, which shall be the

date established pursuant to Section 3.4 of the Loan Agreement for delivery of the Local Bonds. 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 Supplemental Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Supplemental Bonds described in this Article III and in Article IV hereof and shall have delivered to the Authority for purchase the Local Bonds in accordance with the Loan Agreement;

(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 Supplemental 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;

(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, 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 Supplemental 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), 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 Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountants 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 Supplemental Bonds, together with the net proceeds of the Local Bonds and all other 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) 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 Supplemental 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 Supplemental Loan to the Governmental Agency and the Governmental Agency shall accept the Supplemental 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 Supplemental Loan by purchasing the Supplemental Bonds in the principal amount and at the price set forth in Schedule X hereto. The Supplemental Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Supplemental Loan will be made only in conjunction with the Loan. The Supplemental Bond shall be delivered to the Authority, at the offices of the Authority,

simultaneously with the delivery of the Local Bond to the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Supplemental Loan Agreement and the Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies under the conditions and in the manner described in the Loan Agreement. The Governmental Agency further understands and acknowledges that the Authority's obligation to make the Supplemental Loan is subject to the availability on the Date of Loan Closing of funds legally available therefor.

3.6 Anything in this Loan Agreement notwithstanding, if the Authority is unable to pay the proceeds of the Supplemental Bonds to the Governmental Agency on the Date of Loan Closing due to the time required for processing the purchase order or requisition for such moneys with the State, the Authority may pay such proceeds as soon as received after the Date of Loan Closing; provided, that the Supplemental Bonds shall not evidence any debt to be repaid to the Authority until the proceeds thereof are received by the Governmental Agency.

ARTICLE IV

Supplemental Bonds; Security for Supplemental Loan;
Repayment of Supplemental Loan; No Interest on
Supplemental Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Supplemental Loan, authorize the issuance of and issue the Supplemental 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:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Supplemental 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, subject to the prior and senior security therefrom granted to the Local Bonds;

(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 the Supplemental 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 the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Local Bonds (the "Reserve Account") and for the payment of debt service on the Supplemental Bonds (the "Supplemental Reserve Account") are funded (whether by bond proceeds, monthly deposits or otherwise), respectively, 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") or on the Supplemental Bonds in the then current or any succeeding year (the "Supplemental Reserve Requirement"), as the case may be, 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 the Supplemental 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, 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 and Supplemental 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 Supplemental Bonds, except the Local Bonds and bonds on a parity with the Supplemental Bonds, which parity bonds shall only be issued if net revenues of

the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Supplemental Bonds and parity bonds theretofore and then being issued and on the Local Bonds and any other obligations secured by a lien on or payable from the revenues of the System prior to the Supplemental Bonds; provided, however, that additional parity Local Bonds and additional parity Supplemental 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 Supplemental 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 or interest on the Supplemental 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, subject to the prior and senior rights of the owner or owners of the Local Bonds;

(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 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 Supplemental Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

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

(xiv) That the proceeds of the Supplemental Bonds, except any proceeds deposited in the Reserve Account or the Supplemental Reserve Account, must be deposited in a construction fund on which the owners of the Supplemental 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); provided, that said construction fund may be the one established for the Local Bonds, which shall have a prior and senior lien thereon, but shall otherwise be kept separate and apart from all other funds of the Governmental Agency; and

(xv) That, as long as the Authority is the owner of any of the Supplemental Bonds, the Governmental Agency shall not authorize redemption of any Supplemental Bonds by it without the written consent of the Authority.

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 Supplemental 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 Supplemental 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 the prior and senior security therefrom for the Local Bonds and to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the Supplemental Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto.

4.4 The Supplemental Loan shall not bear interest.

4.5 The Supplemental 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.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Supplemental Program, which administrative expenses shall be as determined by the Authority and shall include, but not be limited to, legal fees paid by the Authority.

4.7 If the schedule furnished to the Authority pursuant to Section 6.5 reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess of funding for the Project, the Authority may tender to the Governmental Agency its Supplemental Bonds for payment in an amount equal to such excess. Notwithstanding the foregoing, if the Governmental Agency has grant anticipation notes or some other interim financing outstanding upon completion of construction of the Project, it shall advise the Authority of such fact and submit a second schedule to the Authority upon payment of the interim financing, and the Authority shall not tender its Supplemental Bonds for payment until the outstanding interim financing has been paid.

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 Supplemental 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 Supplemental Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds and the Supplemental 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 Supplemental 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 rate of five percent (5%) per annum, 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 Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Supplemental Loan Agreement.

6.2 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Supplemental Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time provided, 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 Supplemental Loan and receiving the Supplemental Bonds, the Authority shall have the right to cancel all or any of its obligations under this Supplemental Loan Agreement if (a) any representation made to

the Authority by the Governmental Agency in connection with the Loan or the Supplemental Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Loan Agreement or this Supplemental Loan Agreement.

6.3 The Governmental Agency hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority for the planning or design of the Project, and such repayment shall be a condition precedent to the Authority's making the Supplemental Loan.

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 Supplemental Loan and additional covenants and agreements of the Governmental Agency are set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Supplemental Loan Agreement.

7.2 Schedule X shall be attached to this Supplemental Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Supplemental 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 Supplemental Loan Agreement, and this Supplemental Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Supplemental 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 Supplemental Loan Agreement.

7.5 No waiver by either party of any term or condition of this Supplemental 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 Supplemental Loan Agreement.

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

7.7 By execution and delivery of this Supplemental Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Supplemental 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 Supplemental Loan Agreement shall terminate upon the earlier of:

(i) termination by the Authority of the Loan Agreement pursuant to Subsections 7.8(i) or (ii) thereof;

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

(iii) payment in full of the principal of the Supplemental Loan and of any fees and charges owed by the Governmental Agency to the Authority.

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

LUBECK PUBLIC SERVICE DISTRICT
[Proper Name of Governmental Agency]

(SEAL)

By

James E. Smith
Its Chairman, Public Service Board

Attest:

Date:

February 7, 1990

Charles H. Hoffmann
Its Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By

Daniel B. Gonsky
Director

Attest:

Date:

March 28, 1990

Barbara B. Meadows
Secretary-Treasurer

WDA-Supp. 5X
(March 1988)

SCHEDULE X
DESCRIPTION OF SUPPLEMENTAL BONDS

Principal Amount of Supplemental Bonds	\$ <u>146,487.00</u>
Purchase Price of Supplemental Bonds	\$ <u>146,487.00</u>

Principal of the Supplemental Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference. The Supplemental Bonds bear no interest.

As of the date of the Supplemental Loan Agreement, the Supplemental Bonds are on a parity as to source of and security for payment with the following obligations:

As of the date of the Supplemental Loan Agreement, the Supplemental Bonds are subordinate as to source of and security for payment to the following obligations, in addition to the Local Bonds:

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Lubeck Public Service District
Debt Service Schedule
Analysis of Borrowing from Series 1989 B Pool
39 Principal Payments
Closing Date: 02-Apr-90

Date	Interest Free Loan
01-Oct-90	
01-Oct-91	3,755.96
01-Oct-92	3,756.08
01-Oct-93	3,756.08
01-Oct-94	3,756.08
01-Oct-95	3,756.08
01-Oct-96	3,756.08
01-Oct-97	3,756.08
01-Oct-98	3,756.08
01-Oct-99	3,756.08
01-Oct-2000	3,756.08
01-Oct-2001	3,756.08
01-Oct-2002	3,756.08
01-Oct-2003	3,756.08
01-Oct-2004	3,756.08
01-Oct-2005	3,756.08
01-Oct-2006	3,756.08
01-Oct-2007	3,756.08
01-Oct-2008	3,756.08
01-Oct-2009	3,756.08
01-Oct-2010	3,756.08
01-Oct-2011	3,756.08
01-Oct-2012	3,756.08
01-Oct-2013	3,756.08
01-Oct-2014	3,756.08
01-Oct-2015	3,756.08
01-Oct-2016	3,756.08
01-Oct-2017	3,756.08
01-Oct-2018	3,756.08
01-Oct-2019	3,756.08
01-Oct-2020	3,756.08
01-Oct-2021	3,756.08
01-Oct-2022	3,756.08
01-Oct-2023	3,756.08
01-Oct-2024	3,756.08
01-Oct-2025	3,756.08
01-Oct-2026	3,756.08
01-Oct-2027	3,756.08
01-Oct-2028	3,756.08
01-Oct-2029	3,756.08

146,487.00

=====

SCHEDULE Y
REVENUES

In accordance with Subsection 4.1(a) of the Supplemental Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

- (i) as prescribed by the Loan Agreement, to pay Operating Expenses of the System;
- (ii) as prescribed by the Loan Agreement, to the extent not otherwise limited by an outstanding local resolution, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth ($1/6$) of the interest payment next coming due on the Local Bonds and one-twelfth ($1/12$) of the principal payment next coming due on the Local Bonds and, if the Reserve Account was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit) in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount not less than one-twelfth ($1/12$) of one-tenth ($1/10$) (or such other amount as shall be acceptable to the Authority and as shall fund the Reserve Account over not more than 10 years) 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) as prescribed by the Loan Agreement, to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent ($2\frac{1}{2}\%$) 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;
- (iv) beginning thirteen (13) months prior to the first date of payment of principal of the Supplemental Bonds, to provide debt service on the Supplemental Bonds by

depositing in a sinking fund one-twelfth (1/12) of the principal payment next coming due on the Supplemental Bonds and, if the Supplemental Reserve Account was not funded concurrently with the issuance thereof in an amount equal to the Supplemental Reserve Requirement, by depositing in the Supplemental Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) (or such other amount as shall be acceptable to the Authority and as shall fund the Reserve Account over not more than 10 years) of the Supplemental Reserve Requirement or, if the Supplemental Reserve Account has been so funded (whether by Supplemental Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Supplemental Reserve Account at the Supplemental Reserve Requirement;

(v) to provide debt service on and requisite reserves for any other subordinate indebtedness of the Governmental Agency held or owned by the Authority; and

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

SCHEDULE 2

Additional and Supplemental Definitions

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

2. "System" means the public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses, owned by the Governmental Agency, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. As a condition precedent to the Authority's making the Supplemental Loan, the Governmental Agency shall have obtained, among other permits required, a permit from the West Virginia Department of Health.

2. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of the System until all delinquent charges for the services of the System have been fully paid.

3. Subject to any prior or parity obligations described in Schedules X and Y attached to the Supplemental Loan Agreement, and to the prior lien of the Local Bonds, the net revenues derived from the operation of the System are pledged to the payment of the principal of the Supplemental Bonds.

4. The paying agent for the Supplemental Bonds shall be the West Virginia Municipal Bond Commission or any successor to the functions thereof.

REGISTRAR'S AGREEMENT

This Registrar's Agreement, made this 2nd day of April, 1990, between Lubeck Public Service District, a public service district organized and existing under the laws of the State of West Virginia, (the "District"), and One Valley Bank, National Association, a national banking association (the "Registrar").

WHEREAS, the District has, contemporaneously with the execution hereof, issued and sold its \$3,285,500 aggregate principal amount of Water System Revenue Bonds, Series A and Series B, in fully registered form (collectively, the "Bonds"), pursuant to its Bond Resolution and Supplemental Resolution adopted March 28, 1990 (collectively, the "Local Act");

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

WHEREAS, the Local Act provides for an appointment by the District of a Registrar for the Bonds; and

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

NOW, THEREFORE, the parties hereto agree as follows:

1. Upon the execution of this Registrar's Agreement by the District and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Local Act, such duties including, among other things, the duties to authenticate, register and deliver the 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 District advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the District with appropriate records of all transactions carried out by it as Registrar and to furnish the District 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 District 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 District.

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

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

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

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

If to the District: Lubeck Public Service District
 P. O. Box 700
 Washington, WV 26181
 Attention: General Manager

If to the Registrar: One Valley Bank, National Association
 Post Office Box 1793
 One Valley Square
 Charleston, WV 25326
 Attention: Corporate Trust Department

IN WITNESS WHEREOF, the District and the Registrar have executed and delivered this Registrar's Agreement in each of their respective names, all as of the day and year above first written.

LUBECK PUBLIC SERVICE DISTRICT

By James E. Smith
James E. Smith, Chairman

ONE VALLEY BANK, NATIONAL ASSOCIATION

By Charlotte S. Morgan
Charlotte S. Morgan, Corporate
Trust Administrative Officer

6817P

EXHIBIT A

LOCAL ACT

See Transcript Items #7 and #8

EXHIBIT B

SCHEDULE OF COMPENSATION

ACCEPTANCE FEE FOR SERVICE AS
REGISTRAR.....\$500.00

LUBECK PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

\$3,285,500 Water System Revenue Bonds
Series A and Series B

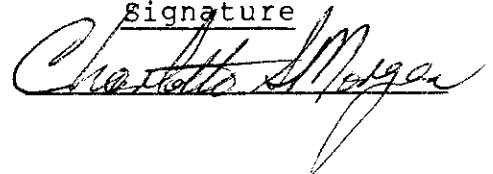
REGISTRAR'S CERTIFICATE

The undersigned, Charlotte S. Morgan, Corporate Trust Administrative Officer, of ONE VALLEY BANK, NATIONAL ASSOCIATION, Charleston, West Virginia, a national banking association (the "Bank"), hereby certifies as follows with respect to the above-captioned Bonds (the "Bonds").

1. The Bank has full power and authority to enter into and carry out the provisions of the Registrar's Agreement, dated as of April 2, 1990, between the Lubeck Public Service District (the "District"), and the Bank (the "Registrar's Agreement").

2. The person whose name, title and signature is set forth below holds the position shown opposite her name, and has been named and designated as an authorized officer of the Bank to authenticate and register the Bonds, to deliver certificates on behalf of the Bank in connection with the closing of the sale of the Bonds and to take any other actions required by the Registrar's Agreement.

<u>Name</u>	<u>Title</u>
Charlotte S. Morgan	Corporate Trust Administrative Officer

Signature


3. The above-signed Charlotte S. Morgan was duly authorized to, and did on or prior to the date hereof, execute and deliver the Registrar's Agreement to the District on behalf of the Bank.

4. Pursuant to the Supplemental Resolution, the undersigned has received prior to the date hereof a request and authorization to the Bank on behalf of the District, signed by an authorized member of the Public Service Board of the District, to authenticate and deliver the Bonds to the Purchaser.

5. The Bank has received from the District on the date hereof the Bonds, in the respective numbers and denominations, maturing on October 1 of such years, and bearing interest at such rates, all as set forth in Exhibit A attached hereto and incorporated herein by reference. At the time of such receipt, each of the Bonds had been executed by the manual signature of the Chairman of the Public Service Board of the District, imprinted with the seal of the District, and attested by the manual signature of the Secretary of the Public Service Board of the District.

6. The Bank has duly authenticated the Bonds originally issued on April 2, 1990, and described in Exhibit A hereto, by manually executing on each of such Bonds a certificate in substantially the following form:

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Resolution and has been duly registered in the name set forth above on the date set forth below.

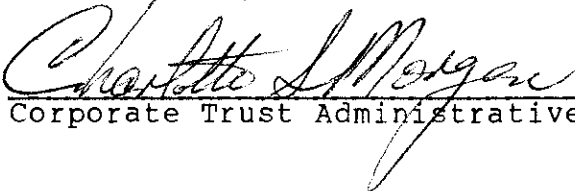
ONE VALLEY BANK, NATIONAL ASSOCIATION,
As Registrar

Date: _____

By _____
Its Authorized Officer

WITNESS the following signature this 2nd day of April, 1990:

ONE VALLEY BANK, NATIONAL ASSOCIATION

BY 
Corporate Trust Administrative Officer

6816P

EXHIBIT A TO REGISTRAR'S CERTIFICATE

LUBECK PUBLIC SERVICE DISTRICT

\$3,285,500 Water System Revenue Bonds
Series A and Series B

TERMS OF THE SERIES A AND SERIES B BONDS

a. The Series A Bond designated R-1 shall be issued in the form of a single bond in typewritten form fully registered to the West Virginia Water Development Authority, in the denomination of \$3,139,013.00, with interest thereon at the rate of 7.85% per annum payable semi-annually on October 1 and April 1, first interest payable on October 1, 1990, representing the aggregate principal amount of the Series A Bond issue and shall mature in principal installment on October 1 of each year as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
1991	\$ 13,648.00	7.85%
1992	14,720.00	7.85%
1993	15,876.00	7.85%
1994	17,122.00	7.85%
1995	18,466.00	7.85%
1996	19,915.00	7.85%
1997	21,479.00	7.85%
1998	23,165.00	7.85%
1999	24,983.00	7.85%
2000	26,945.00	7.85%
2001	29,060.00	7.85%
2002	31,341.00	7.85%
2003	33,801.00	7.85%
2004	36,455.00	7.85%
2005	39,316.00	7.85%
2006	42,403.00	7.85%
2007	45,731.00	7.85%
2008	49,321.00	7.85%
2009	53,193.00	7.85%
2010	57,368.00	7.85%
2011	61,872.00	7.85%
2012	66,729.00	7.85%
2013	71,967.00	7.85%
2014	77,616.00	7.85%
2015	83,709.00	7.85%
2016	90,280.00	7.85%
2017	97,367.00	7.85%
2018	105,011.00	7.85%

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
2019	113,254.00	7.85%
2020	122,144.00	7.85%
2021	131,733.00	7.85%
2022	142,074.00	7.85%
2023	153,227.00	7.85%
2024	165,255.00	7.85%
2025	178,228.00	7.85%
2026	192,218.00	7.85%
2027	207,308.00	7.85%
2028	223,581.00	7.85%
2029	241,132.00	7.85%

b. The Series B Bond designated R-1 shall be issued in the form of single Bond in typewritten form, fully registered to the West Virginia Water Development Authority, in the denomination of \$146,487.00, without interest, representing the aggregate principal amount of the Series B Bond issue, and shall mature in principal installments on October 1, of each year after date as follows:

<u>Year</u>	<u>Installment</u>
1991	\$3,755.96
1992	3,756.08
1993	3,756.08
1994	3,756.08
1995	3,756.08
1996	3,756.08
1997	3,756.08
1998	3,756.08
1999	3,756.08
2000	3,756.08
2001	3,756.08
2002	3,756.08
2003	3,756.08
2004	3,756.08
2005	3,756.08
2006	3,756.08
2007	3,756.08
2008	3,756.08
2009	3,756.08
2010	3,756.08
2011	3,756.08
2012	3,756.08
2013	3,756.08
2014	3,756.08
2015	3,756.08
2016	3,756.08
2017	3,756.08

<u>Year</u>	<u>Installment</u>
2018	3,756.08
2019	3,756.08
2020	3,756.08
2021	3,756.08
2022	3,756.08
2023	3,756.08
2024	3,756.08
2025	3,756.08
2026	3,756.08
2027	3,756.08
2028	3,756.08
2029	3,756.08

6816P

DAVIS, BAILEY, PFALZGRAF & HALL

ATTORNEYS AT LAW

601 AVERY STREET

POST OFFICE BOX 48

PARKERSBURG, WEST VIRGINIA 26102-0048

(304) 485-8500

TELECOPIER (304) 485-7973

FEDERAL I.D. NO. 55-0631173

FRED L. DAVIS 1905-1976
JOHN S. BAILEY, JR.
WILLIAM R. PFALZGRAF
FRED L. DAVIS, JR.
F. RICHARD HALL
WILLIAM A. TRAINER
HOWARD E. SEUFER, JR.

ROBERT J. KENT*
STEVEN R. HARDMAN
J. MICHAEL WEBER
SARA R. SIMON

*ALSO ADMITTED IN OHIO

April 2, 1990

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

Gentlemen:

We are bond counsel to Lubeck Public Service District, Wood County, West Virginia (the "District").

We have examined a record of proceedings and other papers relating to (i) the authorization of a loan agreement, executed by the District on February 7, 1990, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the District and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a revenue bond of the District, dated April 2, 1990, (the "Local Bond"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bond is in the principal amount of \$3,139,013, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning October 1, 1990, at the respective rate and with principal payable in installments on October 1 of each of the years, all as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
1991	\$ 13,648.00	7.85%
1992	14,720.00	7.85%
1993	15,876.00	7.85%
1994	17,122.00	7.85%
1995	18,466.00	7.85%
1996	19,915.00	7.85%
1997	21,479.00	7.85%
1998	23,165.00	7.85%
1999	24,983.00	7.85%

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
2000	26,945.00	7.85%
2001	29,060.00	7.85%
2002	31,341.00	7.85%
2003	33,801.00	7.85%
2004	36,455.00	7.85%
2005	39,316.00	7.85%
2006	42,403.00	7.85%
2007	45,731.00	7.85%
2008	49,321.00	7.85%
2009	53,193.00	7.85%
2010	57,368.00	7.85%
2011	61,872.00	7.85%
2012	66,729.00	7.85%
2013	71,967.00	7.85%
2014	77,616.00	7.85%
2015	83,709.00	7.85%
2016	90,280.00	7.85%
2017	97,367.00	7.85%
2018	105,011.00	7.85%
2019	113,254.00	7.85%
2020	122,144.00	7.85%
2021	131,733.00	7.85%
2022	142,074.00	7.85%
2023	153,227.00	7.85%
2024	165,255.00	7.85%
2025	178,228.00	7.85%
2026	192,218.00	7.85%
2027	207,308.00	7.85%
2028	223,581.00	7.85%
2029	241,132.00	7.85%

The Local Bond is issued, for the purpose of constructing and installing a water treatment plant, storage and distribution facilities and other appurtenances in the District, paying interest on the Local Bond during the construction period and for six months thereafter, funding a bond reserve account, 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 of 1931, as amended (the "Act"), the Resolution of the District duly enacted by the District on March 28, 1990, and a resolution supplemental thereto duly enacted March 28, 1990, (collectively

the "Resolution"), pursuant to and under which Act and Resolution the Local Bond is authorized and issued, and the Loan Agreement has been undertaken. The Local Bond is subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Resolution and the Loan Agreement.

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

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

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

3. The District is a duly organized and presently existing public service district and a political subdivision of the State of West Virginia, 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 Bond, all under the provisions of the Act and other applicable provisions of law.

4. The District has legally and effectively enacted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Local Bond. The Resolution contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bond is a valid and legally enforceable special obligation of the District, payable from the net revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the net revenues of said System, all in accordance with the terms of the Local Bond and the Resolution, and has been duly issued and delivered to the Authority.

6. The Local Bond is, by statute, exempt from all taxation by the State of West Virginia and other taxing bodies of the State and the interest on the Local Bond is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

7. Under existing law and court decisions, the interest on the Local Bond 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, such interest on the Local Bond held by a corporation may be indirectly subject to alternative minimum tax because of the inclusion of such interest in the reported income or earnings and profits of such corporate holder. This opinion is subject to the conditions that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Local Bond in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Local Bond to be so included in gross income retroactive to the date of issuance of the Local Bond. The District has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Local Bond.

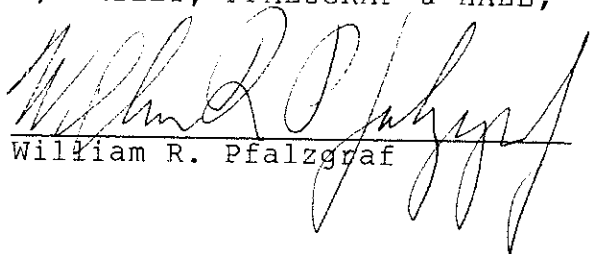
No opinion is given herein as to the effect upon enforceability of the Local Bond of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

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

Very truly yours,

DAVIS, BAILEY, PFALZGRAF & HALL,

By:


William R. Pfalzgraf

DAVIS, BAILEY, PFALZGRAF & HALL

ATTORNEYS AT LAW

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J. MICHAEL WEBER
SARA R. SIMON

*ALSO ADMITTED IN OHIO

April 2, 1990

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

Gentlemen:

We are bond counsel to Lubeck Public Service District, Wood County, West Virginia (the "District").

We have examined a record of the proceedings and other papers relating to (i) the authorization of a loan agreement, executed by the District on February 7, 1990, including all schedules and exhibits attached thereto (the "Supplemental Loan Agreement"), between the District and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a supplemental, subordinate revenue bond of the District dated April 2, 1990 (the "Supplemental Bond"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bond is in the principal amount of \$146,487, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years, as follows:

<u>Year</u>	<u>Installment</u>	<u>Year</u>	<u>Installment</u>
1991	\$3,755.96	2011	3,756.08
1992	3,756.08	2012	3,756.08
1993	3,756.08	2013	3,756.08
1994	3,756.08	2014	3,756.08
1995	3,756.08	2015	3,756.08
1996	3,756.08	2016	3,756.08
1997	3,756.08	2017	3,756.08
1998	3,756.08	2018	3,756.08
1999	3,756.08	2019	3,756.08
2000	3,756.08	2020	3,756.08
2001	3,756.08	2021	3,756.08

<u>Year</u>	<u>Installment</u>	<u>Year</u>	<u>Installment</u>
2002	3,756.08	2022	3,756.08
2003	3,756.08	2023	3,756.08
2004	3,756.08	2024	3,756.08
2005	3,756.08	2025	3,756.08
2006	3,756.08	2026	3,756.08
2007	3,756.08	2027	3,756.08
2008	3,756.08	2028	3,756.08
2009	3,756.08	2029	3,756.08
2010	3,756.08		

The Supplemental Loan Agreement is supplemental to a loan agreement executed by the District on February 7, 1990, also between the District and the Authority (the "Loan Agreement"). The Supplemental Bond is junior, subordinate and inferior as to lien and source of and security for payment to the bond issued pursuant to the Loan Agreement (the "Local Bond"), which Local Bond is issued simultaneously herewith.

The Supplemental Bond is issued, together with the Local Bond, for the purpose of assisting the District in the financing of the costs of constructing and installing a water treatment plant, storage and distribution facilities and other appurtenances in the District, funding a bond reserve account, 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 of 1931, as amended (the "Act"), and the Bond Resolution duly enacted by the District on March 28, 1990 and a resolution supplemental thereto duly enacted March 28, 1990, (collectively the "Resolution"), pursuant to and under which Act and Resolution the Supplemental Bond is authorized and issued, and the Supplemental Loan Agreement has been undertaken. The Supplemental Bond is subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Resolution and the Supplemental 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 Supplemental Loan Agreement has been duly authorized by, and executed and delivered on behalf of the District and is a valid and binding special obligation of the District enforceable in accordance with the terms thereof.

2. The Supplemental 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 District without the consent of the Authority.

3. The District is a duly organized and presently existing public service district and a political subdivision of the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Supplemental Bond, all under the provisions of the Act and other applicable provisions of law.

4. The District has legally and effectively enacted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Supplemental Bond. The Resolution contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement.

5. The Supplemental Bond is a valid, binding and legally enforceable special obligation of the District, payable from the net revenues of the System referred to in the Resolution and secured by a second lien on and pledge of the net revenues of said System, all in accordance with the terms of the Supplemental Bond and the Resolution and has been duly issued and delivered to the Authority. Said lien and pledge are junior, subordinate and inferior to that created for the Local Bond.

6. The Supplemental Bond is, by statute, exempt from all taxation by the State of West Virginia and other taxing bodies of the State.

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

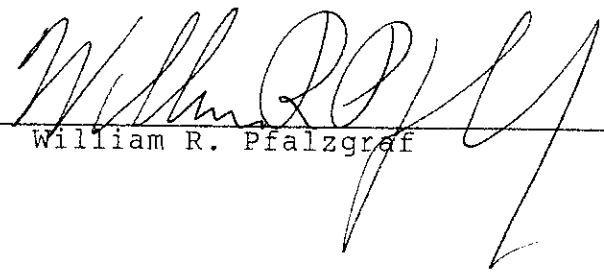
West Virginia Water Development Authority
April 2, 1990
Page 4

We have examined the executed and authenticated Supplemental 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,

DAVIS, BAILEY, PFALZGRAF & HALL

By



William R. Pfalzgraf

6814P

DAVIS, BAILEY, PFALZGRAF & HALL

ATTORNEYS AT LAW

601 AVERY STREET

POST OFFICE BOX 48

PARKERSBURG, WEST VIRGINIA 26102-0048

(304) 485-8500

TELECOPIER (304) 485-7973

FEDERAL I.D. NO. 55-0631173

FRED L. DAVIS 1905-1976
JOHN S. BAILEY, JR.
WILLIAM R. PFALZGRAF
FRED L. DAVIS, JR.
F. RICHARD HALL
WILLIAM A. TRAINER
HOWARD E. SEUFER, JR.

ROBERT J. KENT*
STEVEN R. HARDMAN
J. MICHAEL WEBER
SARA R. SIMON

*ALSO ADMITTED IN OHIO

April 2, 1990

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

Lubeck Public Service District
P. O. Box 700
Washington, WV 26181

RE: Lubeck Public Service District
Water System Revenue Bond, Series A

Gentlemen:

Please refer to our approving legal opinion of even date herewith, as to the above-captioned Bond issue, which opinion is delivered herewith.

Based upon the certificate of the Public Service Board of the Lubeck Public Service District (the "District"), of even date herewith, stating facts, estimates and circumstances with reference to arbitrage, in our opinion the Bonds are not "arbitrage bonds" under the provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). While we have undertaken no independent investigation or verification of the expectations set forth in said certificate, no matters come to our attention which make unreasonable or incorrect the statements, expectations or representations made in said certificate.

In rendering the foregoing opinion, we wish to advise you that Section 148 of the Code and the regulations issued thereunder in their present form impose certain restrictions regarding the investment of proceeds of the Bonds and require, among other things, that no intentional use of any portion of the proceeds of the Bonds be made in a manner so as to cause

West Virginia Water Development Authority
Lubeck Public Service District
April 2, 1990
Page 2

the Bonds to constitute "arbitrage bonds" and requires that certain amounts be periodically rebated to the United States by the District, subject to the exceptions therein set forth.

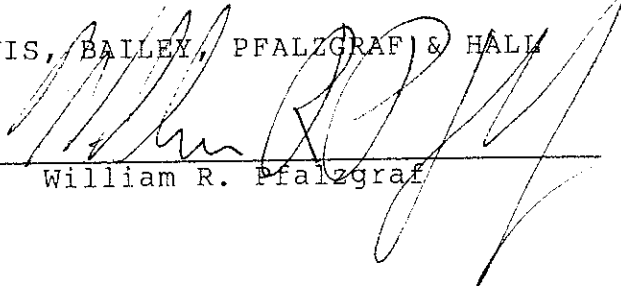
The District has in the Local Act stated that it reasonably expects to expend not less than 95% of the net proceeds of the Bonds within a period of two years beginning on the date on which the Bonds are issued. Assuming compliance therewith, earnings on the Bond proceeds will not be subject to required rebate to the United States within such two-year period. After the said two-year period, however, earnings on the Bond proceeds will be subject to rebate to the United States.

The failure to comply with the provisions of Section 148 of the Code may cause the Bonds to become taxable. In rendering this opinion, we have relied upon the representations and covenants of the District to the effect that, to the extent applicable, the District will comply with said restrictions and requirements, including, without limitation, the rebate requirement. We express no opinion herein as to the taxability of the interest on the Bonds in the event of the failure to comply with the requirements and restrictions of Section 148 of the Code, as set forth hereinabove, and any rules and regulations thereunder, and the statements, expectations and representations made in said certificate.

Sincerely,

DAVIS, BAILEY, PFALZGRAF & HALL

By


William R. Pfalzgraf

6813P

RONNING & BROWN

ATTORNEYS AT LAW

1915 DUDLEY AVENUE

POST OFFICE BOX 1625

PARKERSBURG, WV 26102

LAWRENCE M. RONNING
JOSEPH M. BROWN

AREA CODE 304
422-6481

April 2, 1990

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

Re: Lubeck Public Service District
Water System Revenue Bonds,
Series A and Series B

Gentlemen:

We are counsel to Lubeck Public Service District, a public service district, in Wood County, West Virginia (the "District"). As such counsel, we have examined copies of the approving opinions of bond counsel, a loan agreement and supplemental loan agreement, both executed by the District on February 7, 1990, as supplemented and amended, by and between the West Virginia Water Development Authority (the "Authority") and the District (collectively, the "Loan Agreement"), the Local Act (as defined therein) and other documents relating to the above-captioned Bonds of the District. Terms used in said opinions, Local Act and Loan Agreement and not otherwise defined herein have the same meanings herein.

We are of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the District and constitutes a valid and binding obligation of the District enforceable in accordance with its terms, and 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 District without the consent of the Authority.
2. The District is a duly organized and presently existing public service district and a political subdivision of the State of West Virginia, 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 provisions of the Act and other applicable provisions of law.

3. The members and officers of the public service board of the District have been duly and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the District.

4. The Local Act and all other necessary resolutions have been duly and effectively adopted by the District and are in full force and effect. 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 execution and delivery of the Bonds and the Loan Agreement and the consummation of the transaction contemplated by the Loan Agreement, and the carrying out of the terms of either thereof, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or any existing law, regulation, court order or consent decree to which the District is subject.

6. The District has received any and all permits, licenses, approvals and authorizations required by law or otherwise necessary for the issuance of the Bonds, construction of the Project, operation of the System and imposition of rates and charges, including without limitation, the receipt of all requisite orders and approvals from the Public Service Commission of West Virginia, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the approval and adoption in the Local Act of the rates and charges established by the Public Service Commission of West Virginia, excepting only a permit from the West Virginia Department of Natural Resources, which cannot be obtained at this time. The time for appeal of such order of the Public Service Commission of West Virginia has expired prior to the date hereof without an appeal having been filed.

West Virginia Water Development Authority
April 2, 1990
Page 2

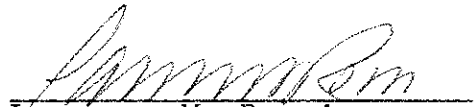
7. To the best of our knowledge, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, construction of the Project, operation of the System or the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

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

Very truly yours,

RONNING & BROWN

By:


Lawrence M. Ronning

LMR/jg

WV MUNICIPAL BOND COMMISSION
Suite 337 Building 3
1800 Washington St. E
State Capitol Complex
Charleston, WV 25305
(304) 348-3971

NEW ISSUE REPORT FORM

Date of Report: April 2, 1990

(See Reverse for Instructions)

ISSUER & ISSUE: LUBECK PUBLIC SERVICE DISTRICT WATER SYSTEM REVENUE
BONDS, SERIES A

ADDRESS: P. O. Box 700, Washington, WV 26181

PURPOSE: New Money X

COUNTY: Wood

OF ISSUE: Refunding Refunds issue(s) dated: _____

ISSUE DATE: April 2, 1990

CLOSING DATE: April 2, 1990

ISSUE AMOUNT: \$3,139,013

RATE: 7.85%

1st DEBT SERVICE DUE: 10/1/90

1st PRINCIPAL DUE: 10/1/91

1st DEBT SERVICE AMOUNT: \$125,259.70*

PAYING AGENT: West Virginia Municipal Bond Commission

ISSUERS: Davis, Bailey, Pfalzgraf

BOND COUNSEL: & Hall

Contact Person: William R. Pfalzgraf

Phone: (304) 485-8500

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme Gee

Phone: (304) 340-0318

CLOSING BANK: One Valley Bank,

National Association

Contact Person: John Ziebolt

Phone: (304) 348-7008

ESCROW TRUSTEE:

Contact Person: _____

Phone: _____

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: William R. Packard

Position: Manager

Phone: (304) 863-3341

OTHER:

Contact Person: _____

Function: _____

Phone: _____

DEPOSITS TO MBC AT CLOSE: Accrued Interest: _____ Days \$ _____
By Wire Capitalized Interest: \$ 492,289
X Check Reserve Account: \$ 260,062
IGT Other: _____ \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By Wire

Check

IGT

To Escrow Trustee: _____ \$ _____

To Issuer: _____ \$ _____

To CIF-State Treasury _____ \$ _____

To Other: _____ \$ _____

NOTES: *Calculated at 7.85% on \$3,139,013 for 5.966666666 months.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

WV MUNICIPAL BOND COMMISSION
Suite 337 Building 3
1800 Washington St. E
State Capitol Complex
Charleston, WV 25305
(304) 348-3971

NEW ISSUE REPORT FORM

Date of Report: April 2, 1990

(See Reverse for Instructions)

ISSUER & ISSUE: LUBECK PUBLIC SERVICE DISTRICT WATER SYSTEM REVENUE
BONDS, SERIES B

ADDRESS: P. O. Box 700, Washington, WV 26181

PURPOSE: New Money ☒ X

OF ISSUE: Refunding Refunds issue(s) dated: COUNTY: Wood

ISSUE DATE: April 2, 1990

ISSUE AMOUNT: \$146,487 CLOSING DATE: April 2, 1990

1st DEBT SERVICE DUE: 10/1/91 RATE: 0%

1st DEBT SERVICE AMOUNT: \$3,755.96 1st PRINCIPAL DUE: 10/1/91

PAYING AGENT: West Virginia Municipal
Bond Commission

ISSUERS: Davis, Bailey, Pfalzgraf
BOND COUNSEL: & Hall

Contact Person: William R. Pfalzgraf

Phone: (304) 485-8500

CLOSING BANK: One Valley Bank
National Association

Contact Person: John Ziebolt

Phone: (304) 348-7008

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: William R. Packard

Position: Manager

Phone: (304) 863-3341

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme Gee

Phone: (304) 340-0318

ESCROW TRUSTEE:

Contact Person:

Phone:

OTHER:

Contact Person:

Function:

Phone:

DEPOSITS TO MBC AT CLOSE: Accrued Interest: Days \$
By Wire Capitalized Interest: \$
X Check Reserve Account: \$
IGT Other: \$ 3,756

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By Wire
Check
IGT

To Escrow Trustee: \$

To Issuer: \$

To CIF-State Treasury \$

To Other: \$

NOTES:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED:

TRANSFERS

REQUIRED:

LUBECK PUBLIC SERVICE DISTRICT

Water System Revenue Bonds
Series A and Series B

CERTIFICATE OF REGISTRATION OF BONDS

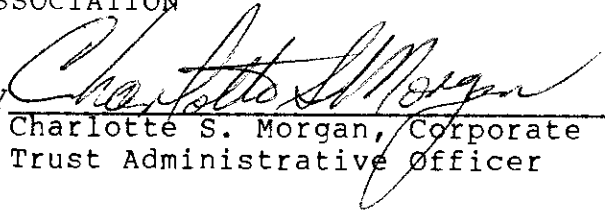
April 2, 1990

I, Charlotte S. Morgan, Corporate Trust Administrative Officer of One Valley Bank, National Association, a national banking association, as Registrar under the Resolution and Registrar's Agreement providing for the \$3,285,500 aggregate principal amount of Water System Revenue Bonds, Series A and Series B, of the Lubeck Public Service District (the "District"), hereby certify that on the 2nd day of April, 1990, the single fully registered Series A Bond of the District numbered R-1 in the principal amount of \$3,139,013.00, designated "Water System Revenue Bond, Series A," and the single fully registered Series B Bond of the District numbered R-1 in the principal amount of \$146,487.00, designated "Water System Revenue Bond, Series B," were registered as to principal and interest (the Series B Bond being registered as to principal only) 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 One Valley Bank, National Association as Registrar.

WITNESS my signature as of this 2nd day of April, 1990:

ONE VALLEY BANK, NATIONAL
ASSOCIATION

By


Charlotte S. Morgan, Corporate
Trust Administrative Officer