

**MASON COUNTY PUBLIC SERVICE DISTRICT
\$1,440,000 WATER REVENUE BONDS
SERIES 1997 A
\$818,000 WATER REVENUE BONDS
SERIES 1997 B**

SEPTEMBER 25, 1997

IC/WDA-1
(July 1996)

LOAN AGREEMENT

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

MASON COUNTY PUBLIC SERVICE DISTRICT (Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

ARTICLE I

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

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

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

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

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

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

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

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

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

(b) Covenants substantially as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xxi) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

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

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such

reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

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

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

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

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

ARTICLE V

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

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

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

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including without limitation the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

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

6.4 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the Project, payable

from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

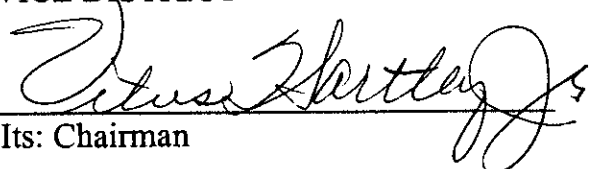
- (i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

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

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

MASON COUNTY PUBLIC
SERVICE DISTRICT

(SEAL)

By: 

Its: Chairman

Attest:

Date: 9-25-97

Mary L. Smith
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: 

Director

Attest:

Date: 9/25/97

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

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

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

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

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

Ladies and Gentlemen:

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

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

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

[Name of Governmental Agency]

By: _____
Authorized Officer

CHASFS3:58465

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$818,000
Purchase Price of Bonds	\$818,000

Principal and interest on the Bonds is payable quarterly, commencing September 1, 1998 to and including September 1, 2037, at a rate of 3% per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 commencing September 1, 1998, as set forth on Schedule Y attached hereto and incorporated herein by reference. The Bonds shall be issued on parity with the Governmental Agency's other outstanding bonds.

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

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

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

SCHEDULE Y

Mason County Public Service District, West Virginia Infrastructure Fund Loan of \$818,000.00 40 Years, 3% Interest Rate DEBT SERVICE SCHEDULE				
Date	Principal	Coupon	Interest	Total P+I
6/01/1998	-	-	-	-
9/01/1998	2,748.64	3.000%	6,135.00	8,883.64
12/01/1998	2,769.25	3.000%	6,114.39	8,883.64
3/01/1999	2,790.02	3.000%	6,093.62	8,883.64
6/01/1999	2,810.94	3.000%	6,072.69	8,883.63
9/01/1999	2,832.03	3.000%	6,051.61	8,883.64
12/01/1999	2,853.27	3.000%	6,030.37	8,883.64
3/01/2000	2,874.67	3.000%	6,008.97	8,883.64
6/01/2000	2,896.23	3.000%	5,987.41	8,883.64
9/01/2000	2,917.95	3.000%	5,965.69	8,883.64
12/01/2000	2,939.83	3.000%	5,943.80	8,883.63
3/01/2001	2,961.88	3.000%	5,921.75	8,883.63
6/01/2001	2,984.10	3.000%	5,899.54	8,883.64
9/01/2001	3,006.48	3.000%	5,877.16	8,883.64
12/01/2001	3,029.02	3.000%	5,854.61	8,883.63
3/01/2002	3,051.74	3.000%	5,831.89	8,883.63
6/01/2002	3,074.63	3.000%	5,809.00	8,883.63
9/01/2002	3,097.69	3.000%	5,785.94	8,883.63
12/01/2002	3,120.92	3.000%	5,762.71	8,883.63
3/01/2003	3,144.33	3.000%	5,739.31	8,883.64
6/01/2003	3,167.91	3.000%	5,715.72	8,883.63
9/01/2003	3,191.67	3.000%	5,691.96	8,883.63
12/01/2003	3,215.61	3.000%	5,668.03	8,883.64
3/01/2004	3,239.73	3.000%	5,643.91	8,883.64
6/01/2004	3,264.02	3.000%	5,619.61	8,883.63
9/01/2004	3,288.50	3.000%	5,595.13	8,883.63
12/01/2004	3,313.17	3.000%	5,570.47	8,883.64
3/01/2005	3,338.02	3.000%	5,545.62	8,883.64
6/01/2005	3,363.05	3.000%	5,520.58	8,883.63
9/01/2005	3,388.27	3.000%	5,495.36	8,883.63
12/01/2005	3,413.69	3.000%	5,469.95	8,883.64
3/01/2006	3,439.29	3.000%	5,444.35	8,883.64
6/01/2006	3,465.08	3.000%	5,418.55	8,883.63
9/01/2006	3,491.07	3.000%	5,392.56	8,883.63
12/01/2006	3,517.26	3.000%	5,366.38	8,883.64
3/01/2007	3,543.63	3.000%	5,340.00	8,883.63
6/01/2007	3,570.21	3.000%	5,313.42	8,883.63
9/01/2007	3,596.99	3.000%	5,286.65	8,883.64
12/01/2007	3,623.97	3.000%	5,259.67	8,883.64
3/01/2008	3,651.15	3.000%	5,232.49	8,883.64
6/01/2008	3,678.53	3.000%	5,205.11	8,883.64
9/01/2008	3,706.12	3.000%	5,177.52	8,883.64
12/01/2008	3,733.91	3.000%	5,149.72	8,883.63
3/01/2009	3,761.92	3.000%	5,121.72	8,883.64
6/01/2009	3,790.13	3.000%	5,093.50	8,883.63

Ferris, Baker Watts, Inc.
Public Finance Department

FILE = MASONCO-Mason Co PSD- SINGLE PURPOSE
9/17/1997 10:51 AM

Mason County Public Service District, West Virginia
Infrastructure Fund Loan of \$818,000.00
40 Years, 3% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
9/01/2009	3,818.56	3.000%	5,065.08	8,883.64
12/01/2009	3,847.20	3.000%	5,036.44	8,883.64
3/01/2010	3,876.05	3.000%	5,007.58	8,883.63
6/01/2010	3,905.12	3.000%	4,978.51	8,883.63
9/01/2010	3,934.41	3.000%	4,949.22	8,883.63
12/01/2010	3,963.92	3.000%	4,919.72	8,883.64
3/01/2011	3,993.65	3.000%	4,889.99	8,883.64
6/01/2011	4,023.60	3.000%	4,860.03	8,883.63
9/01/2011	4,053.78	3.000%	4,829.86	8,883.64
12/01/2011	4,084.18	3.000%	4,799.45	8,883.63
3/01/2012	4,114.81	3.000%	4,768.82	8,883.63
6/01/2012	4,145.67	3.000%	4,737.96	8,883.63
9/01/2012	4,176.77	3.000%	4,706.87	8,883.64
12/01/2012	4,208.09	3.000%	4,675.54	8,883.63
3/01/2013	4,239.65	3.000%	4,643.98	8,883.63
6/01/2013	4,271.45	3.000%	4,612.19	8,883.64
9/01/2013	4,303.49	3.000%	4,580.15	8,883.64
12/01/2013	4,335.76	3.000%	4,547.87	8,883.63
3/01/2014	4,368.28	3.000%	4,515.35	8,883.63
6/01/2014	4,401.04	3.000%	4,482.59	8,883.63
9/01/2014	4,434.05	3.000%	4,449.59	8,883.64
12/01/2014	4,467.31	3.000%	4,416.33	8,883.64
3/01/2015	4,500.81	3.000%	4,382.82	8,883.63
6/01/2015	4,534.57	3.000%	4,349.07	8,883.64
9/01/2015	4,568.58	3.000%	4,315.06	8,883.64
12/01/2015	4,602.84	3.000%	4,280.80	8,883.64
3/01/2016	4,637.36	3.000%	4,246.27	8,883.63
6/01/2016	4,672.14	3.000%	4,211.49	8,883.63
9/01/2016	4,707.18	3.000%	4,176.45	8,883.63
12/01/2016	4,742.49	3.000%	4,141.15	8,883.64
3/01/2017	4,778.06	3.000%	4,105.58	8,883.64
6/01/2017	4,813.89	3.000%	4,069.74	8,883.63
9/01/2017	4,849.99	3.000%	4,033.64	8,883.63
12/01/2017	4,886.37	3.000%	3,997.27	8,883.64
3/01/2018	4,923.02	3.000%	3,960.62	8,883.64
6/01/2018	4,959.94	3.000%	3,923.70	8,883.64
9/01/2018	4,997.14	3.000%	3,886.50	8,883.64
12/01/2018	5,034.62	3.000%	3,849.02	8,883.64
3/01/2019	5,072.38	3.000%	3,811.26	8,883.64
6/01/2019	5,110.42	3.000%	3,773.21	8,883.63
9/01/2019	5,148.75	3.000%	3,734.89	8,883.64
12/01/2019	5,187.36	3.000%	3,696.27	8,883.63
3/01/2020	5,226.27	3.000%	3,657.37	8,883.64
6/01/2020	5,265.47	3.000%	3,618.17	8,883.64
9/01/2020	5,304.96	3.000%	3,578.68	8,883.64

Mason County Public Service District, West Virginia
Infrastructure Fund Loan of \$818,000.00
40 Years, 3% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2020	5,344.74	3.000%	3,538.89	8,883.63
3/01/2021	5,384.83	3.000%	3,498.80	8,883.63
6/01/2021	5,425.22	3.000%	3,458.42	8,883.64
9/01/2021	5,465.91	3.000%	3,417.73	8,883.64
12/01/2021	5,506.90	3.000%	3,376.73	8,883.63
3/01/2022	5,548.20	3.000%	3,335.43	8,883.63
6/01/2022	5,589.81	3.000%	3,293.82	8,883.63
9/01/2022	5,631.74	3.000%	3,251.90	8,883.64
12/01/2022	5,673.98	3.000%	3,209.66	8,883.64
3/01/2023	5,716.53	3.000%	3,167.11	8,883.64
6/01/2023	5,759.40	3.000%	3,124.23	8,883.63
9/01/2023	5,802.60	3.000%	3,081.04	8,883.64
12/01/2023	5,846.12	3.000%	3,037.52	8,883.64
3/01/2024	5,889.96	3.000%	2,993.67	8,883.63
6/01/2024	5,934.14	3.000%	2,949.50	8,883.64
9/01/2024	5,978.65	3.000%	2,904.99	8,883.64
12/01/2024	6,023.49	3.000%	2,860.15	8,883.64
3/01/2025	6,068.66	3.000%	2,814.97	8,883.63
6/01/2025	6,114.18	3.000%	2,769.46	8,883.64
9/01/2025	6,160.03	3.000%	2,723.60	8,883.63
12/01/2025	6,206.23	3.000%	2,677.40	8,883.63
3/01/2026	6,252.78	3.000%	2,630.86	8,883.64
6/01/2026	6,299.68	3.000%	2,583.96	8,883.64
9/01/2026	6,346.92	3.000%	2,536.71	8,883.63
12/01/2026	6,394.53	3.000%	2,489.11	8,883.64
3/01/2027	6,442.48	3.000%	2,441.15	8,883.63
6/01/2027	6,490.80	3.000%	2,392.83	8,883.63
9/01/2027	6,539.48	3.000%	2,344.15	8,883.63
12/01/2027	6,588.53	3.000%	2,295.11	8,883.64
3/01/2028	6,637.94	3.000%	2,245.69	8,883.63
6/01/2028	6,687.73	3.000%	2,195.91	8,883.64
9/01/2028	6,737.89	3.000%	2,145.75	8,883.64
12/01/2028	6,788.42	3.000%	2,095.21	8,883.63
3/01/2029	6,839.33	3.000%	2,044.30	8,883.63
6/01/2029	6,890.63	3.000%	1,993.01	8,883.64
9/01/2029	6,942.31	3.000%	1,941.33	8,883.64
12/01/2029	6,994.38	3.000%	1,889.26	8,883.64
3/01/2030	7,046.83	3.000%	1,836.80	8,883.63
6/01/2030	7,099.68	3.000%	1,783.95	8,883.63
9/01/2030	7,152.93	3.000%	1,730.70	8,883.63
12/01/2030	7,206.58	3.000%	1,677.06	8,883.64
3/01/2031	7,260.63	3.000%	1,623.01	8,883.64
6/01/2031	7,315.08	3.000%	1,568.55	8,883.63
9/01/2031	7,369.95	3.000%	1,513.69	8,883.64
12/01/2031	7,425.22	3.000%	1,458.41	8,883.63

Mason County Public Service District, West Virginia
Infrastructure Fund Loan of \$818,000.00
40 Years, 3% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
3/01/2032	7,480.91	3.000%	1,402.72	8,883.63
6/01/2032	7,537.02	3.000%	1,346.62	8,883.64
9/01/2032	7,593.54	3.000%	1,290.09	8,883.63
12/01/2032	7,650.50	3.000%	1,233.14	8,883.64
3/01/2033	7,707.88	3.000%	1,175.76	8,883.64
6/01/2033	7,765.68	3.000%	1,117.95	8,883.63
9/01/2033	7,823.93	3.000%	1,059.71	8,883.64
12/01/2033	7,882.61	3.000%	1,001.03	8,883.64
3/01/2034	7,941.73	3.000%	941.91	8,883.64
6/01/2034	8,001.29	3.000%	882.35	8,883.64
9/01/2034	8,061.30	3.000%	822.34	8,883.64
12/01/2034	8,121.76	3.000%	761.88	8,883.64
3/01/2035	8,182.67	3.000%	700.96	8,883.63
6/01/2035	8,244.04	3.000%	639.59	8,883.63
9/01/2035	8,305.87	3.000%	577.76	8,883.63
12/01/2035	8,368.17	3.000%	515.47	8,883.64
3/01/2036	8,430.93	3.000%	452.71	8,883.64
6/01/2036	8,494.16	3.000%	389.48	8,883.64
9/01/2036	8,557.87	3.000%	325.77	8,883.64
12/01/2036	8,622.05	3.000%	261.59	8,883.64
3/01/2037	8,686.71	3.000%	196.92	8,883.63
6/01/2037	8,751.86	3.000%	131.77	8,883.63
9/01/2037	8,817.50	3.000%	66.13	8,883.63
TOTAL	818,000.00	-	576,730.77	1,394,730.77

YIELD STATISTICS

Bond Year Dollars.....	\$19,224.36
Average Life.....	23.502 Years
Average Coupon.....	3.0000002%
Net Interest Cost (NIC).....	3.0000002%
True Interest Cost (TIC).....	3.0112501%
Bond Yield for Arbitrage Purposes.....	3.0112501%
All Inclusive Cost (AIC).....	3.0112501%
IRS FORM 8038	
Net Interest Cost.....	3.0000002%
Weighted Average Maturity.....	23.502 Years

Ferris, Baker Watts, Inc.
Public Finance Department

FILE = MASONCO-Mason Co PSD- SINGLE PURPOSE
9/17/1997 10:51 AM

MASON COUNTY PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 1997 A

WATER REVENUE BONDS, SERIES 1997 B

WATER REVENUE NOTE, SERIES 1997

BOND AND LINE OF CREDIT RESOLUTION

**MASON COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, Series 1997 A
WATER REVENUE BONDS, Series 1997 B
WATER REVENUE NOTE, Series 1997**

BOND AND LINE OF CREDIT RESOLUTION

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Exhibit A - Project Description

MASON COUNTY PUBLIC SERVICE DISTRICT

BOND AND LINE OF CREDIT RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS FACILITY OF THE MASON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF \$1,440,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 A AND THE SALE THEREOF TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE AND \$818,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 B AND THE SALE THEREOF TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING A LINE OF CREDIT NOT TO EXCEED \$2,258,000; APPROVING THE LOAN AGREEMENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

"Additional Bonds" means additional bonds issued under the provisions and within the limitations prescribed by Section 7.06.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Series 1997 B Bonds, acting in its administrative capacity pursuant to Section 10 of the Council Act and upon authorization from the Council.

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

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

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

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

"Bonds" means the Series 1997 A Bonds and Series 1997 B Bonds and any Additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"Bond Year" means, with respect to the Series 1997 B Bonds, the twelve month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary day of the Closing Date in the following year except that the first Bond Year shall begin on the Closing Date.

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

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

"Closing Date" means the date upon which there is an exchange of the Bonds for all or a significant portion of the proceeds representing the purchase of the Bonds.

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

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

"Consulting Engineers" means Cerrone and Associates, Inc., Wheeling, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of waterworks systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

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

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

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

"Depository Bank" means a bank or national banking association located in the State, eligible under the laws of the State to receive deposits of state and municipal funds and insured by the FDIC, which Depository Bank shall be named in the Supplemental Resolution.

"Depreciation Account" means that account or accounts established in the Prior Resolutions and continued by Section 5.01(5) hereof.

"Excess Investment Earnings" means, with respect to the Series 1997 B Bonds, an amount equal to the sum of:

(A) The excess of

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

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

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

"Event of Default" means any event or occurrence specified in Section 8.01.

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

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

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

"Government" means the United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser of the Series 1997 A Bonds.

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

"Gross Proceeds" means, with respect to the Series 1997 B Bonds, the sum of the following amounts:

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

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

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

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

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

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

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

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereafter 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 purchased pursuant to Section 9.01) or any Tap Fees, as hereinafter defined.

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

"Investment Property" means, with respect to the Series 1997 B Bonds, any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest

on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

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

"Letter of Conditions" means the letter of conditions from the Government dated March 28, 1996, and any supplements or amendments thereto.

"Line of Credit" means the irrevocable line of credit in an amount not to exceed \$2,258,000 authorized by Section 4.01 hereof, the terms and amount of which may be approved by a resolution supplemental hereto.

"Line of Credit Agreement" means the agreement establishing the Line of Credit, said agreement to be approved by a resolution supplemental hereto.

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

"Net Proceeds" means, with respect to the Series 1997 B Bonds, the face amount of the Series 1997 B Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means, with respect to the Series 1997 B Bonds, any Investment Property which is acquired with the Gross Proceeds of the Series 1997 B Bonds and is not acquired in order to carry out the governmental purpose of the Series 1997 B Bonds.

"Noteholder," "Registered Owner of the Notes" or "Owner of the Notes" or any similar term means the person, whenever used herein with respect to an outstanding Note or Notes, as hereinafter defined, in whose name such Note is registered.

"Note," "Notes" or "Credit Line Note" means the not more than \$2,258,000 in aggregate principal amount of interim construction financing, consisting of a Line of Credit evidenced by notes, as authorized by Article IV hereof.

"Note Registrar" means the Registrar for the Note which shall be designated by a resolution supplemental hereto.

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Section 10.06 hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds in the Supplemental Resolution or such entity or authority as may be designated by the Issuer, with respect to the Series 1997 A Bonds and the Commission, with respect to the Series 1997 B Bonds.

"Prior Bonds" means collectively, the Series 1981 Bonds and the Series 1987 Bonds, both purchased by the Government.

"Prior Note" means the Issuer's note payable to Bank One, West Virginia, National Association, issued in the original principal amount of \$200,000 in connection with Loan 2700002703, and the outstanding amount of principal and accrued interest of which the Issuer anticipates repaying in full from proceeds of the Bonds.

"Prior Resolutions" means the resolutions adopted by the Public Service Board of the Issuer for the Series 1981 Bonds and the Series 1987 Bonds.

"Private Business Use" means, with respect to the Series 1997 B Bonds, use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation,

giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Project" means the improvements to the Issuer's existing water system described on Exhibit A hereto.

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

"PSC Order" means the recommended decision of the PSC in Case No.96-1224-PWD-CN, which was entered by the Administrative Law Judge of the PSC on July 7, 1997 and which became the final order on July 27, 1997, granting the Issuer a Certificate of Convenience and Necessity to construct the Project and approving the financing thereof.

"Purchase Price," for the purpose of computation of the Yield of the Series 1997 B Bonds, has the same meaning as the term "Issue Price" in Sections 1273(b) and 1274 of the Code and, in general, means the initial offering price of the Series 1997 B Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series 1997 B Bonds of each maturity is sold or, if the Series 1997 B Bonds are privately placed, the price paid by the first buyer of the Series 1997 B Bonds or the acquisition costs of the first buyer. Purchase Price for purposes of computing Yield of Nonpurpose Investments means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 1997 B Bonds for acquisition thereof or, if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1997 B Bonds.

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

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

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

(j) Advanced - Refunded Municipal Bonds.

"Rebate Fund" means the fund created pursuant to Section 5.01(7) hereof.

"Renewal and Replacement Fund" means the fund created pursuant to Section 5.01(6) hereof.

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

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(1).

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

"Series 1997 A Bonds" means the not more than \$1,440,000 in aggregate principal amount of Mason County Public Service District Water Revenue Bonds, Series 1997 A originally authorized hereby.

"Series 1997 A Bonds Construction Trust Fund" means the Mason County PSD North/South Construction Account established by Section 5.01(2).

"Series 1997 A Bond Reserve Account" means the Series 1997 A Bonds Reserve Account established by Section 5.01(4).

"Series 1997 A Bonds Reserve Requirement" means an amount equal to \$83,472.

"Series 1997 A Bonds Sinking Fund" means Series 1997 A Bonds Sinking Fund established by Section 5.03(A)(2).

"Series 1997 B Bonds" means the not more than \$818,000 in aggregate principal amount of Mason County Public Service District Water Revenue Bonds, Series 1997 B originally authorized hereby.

"Series 1997 B Bonds Construction Trust Fund" means the Construction Trust Fund established by Section 5.01(3).

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

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

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

"Series 1981 Bonds" means the Issuer's \$1,100,000 Water Revenue Bonds, Series A, issued on January 22, 1981.

"Series 1987 Bonds" means the Issuer's \$610,000 Water Revenue Bonds, issued on June 25, 1987.

"State" means the State of West Virginia.

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

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

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

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

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

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

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

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

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Bond Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer now owns and operates a public waterworks system, furnishing water service to residences, premises and businesses residing or located within and without the area of the Issuer. The acquisition and construction of the System was financed in part with the proceeds from the Prior Bonds, authorized pursuant to the Prior Resolutions. Certain improvements are required to upgrade the North and South portions of the System to current acceptable standards.

B. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the District that there be acquired and constructed certain extensions, additions and improvements to the existing System, the acquisition and construction to be permanently financed by the issuance of the Series 1997 A Bonds to the Government and the Series 1997 B Bonds to the Authority, all in accordance with the plans and specifications prepared by the Consulting Engineers.

C. The Issuer derives revenues from the System and, except for the pledge thereof to secure and pay for the Prior Bonds, said revenues are not pledged or encumbered in any manner. The Prior Bonds are secured by a first lien on the Net Revenues of the System.

D. The estimated maximum cost of the construction of the Project is \$2,258,000. The Project will be financed with the proceeds of the sale of the Series 1997 A Bonds anticipated to be in the amount of \$1,440,000 and the Series 1997 B Bonds anticipated to be in the amount of \$818,000.

E. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Prior Bonds and the Bonds authorized to be issued pursuant to this Resolution and all sinking funds, reserve and other payments provided for in this Resolution and the Prior Resolutions. Prior to the issuance of the Bonds, the Issuer will obtain the consent of the Prior Bonds owners to the issuance of the Bonds on a parity with the lien of the Prior Bonds. Upon the issuance of the Bonds, the Issuer will grant the Government and the Authority first parity liens on the Net Revenues of the System.

F. It is deemed necessary for the Issuer to issue its Bonds, in part to permanently finance the costs of acquisition and construction of the Project. Said costs shall

be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the cost of interim financing for such Project; interest on the Bonds, prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said acquisition and construction of the project and placing the same in operation and the financing authorized by this Resolution.

G. It is further deemed necessary for the Issuer to repay in full the principal and accrued interest outstanding on the Prior Note from the proceeds of the Series 1997 A Bonds.

H. The Issuer has also sought and received approval from the PSC to secure interim financing for the Project in an amount not to exceed \$2,258,000. The Issuer intends to enter into the Line of Credit Agreement with a financial institution and to issue a Note to such institution to provide interim financing for the Project. The form and terms of the Line of Credit Agreement and the Note and the identity of the financial institution will be as set forth in a resolution supplemental hereto.

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

J. It is in the best interests of the Issuer that its Series 1997 A Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions, as amended, and its Series 1997 B Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

K. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired and the written approval of the Council.

L. The Issuer expects that the amount of bonds, other than private activity bonds, which it and all subordinate entities anticipate issuing during calendar year 1997 shall not exceed \$10,000,000, and therefore the Issuer intends to designate the Note as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

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

Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of Project. There is hereby authorized the construction and acquisition of the Project in accordance with the plans and specifications which have been prepared by the Consulting Engineers; provided, that such plans and specifications, and the construction and acquisition of the Project in accordance therewith, are subject to the specific authorization by the Board pursuant to a Supplemental Resolution.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Government and the Council.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purposes of paying the costs of the Project, funding reserve accounts, capitalizing interest, if any, paying in full the Prior Note, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer. Said Bonds shall be issued in two series, to be designated respectively "Mason County Public Service District Water Revenue Bonds, Series 1997 A," in the aggregate principal amount of not more than \$1,440,000, and "Mason County Public Service District Water Revenue Bonds, Series 1997 B," in the aggregate principal amount of not more than \$818,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution. The proceeds of the Series 1997 A Bonds and Series 1997 B Bonds remaining after funding of the respective Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the respective Construction Trust Funds.

Section 3.02. Description of Bonds. The Bonds shall be issued as fully registered Bonds with a record of advances and payments attached, numbered AR-1 and BR-1, respectively, upward, and shall be dated the date of delivery thereof.

(A) The Series 1997 A Bonds shall bear interest from the date of delivery on the amount outstanding on the interest payment date as evidenced on the record of advances and payments, payable monthly, commencing on the twenty-fifth (25th) day of the month following the month of delivery of the Series 1997 A Bond and on the twenty-fifth (25th) day of each month thereafter for the first 24 months after the date thereof and thereafter on the twenty-fifth (25th) day of each month in installments of principal and interest in the aggregate amount of \$6,956 except that the final installment shall be paid at the end of 40 years from the date of the Bond, at a rate, not exceeding four and 875/1000 percent (4.875%) per annum, as shall be determined by the Supplemental Resolution and shall be sold for the par value thereof.

The Series 1997 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Series 1997 A Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Series 1997 A Bond form.

(B) The Series 1997 B Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution. The Series 1997 B Bonds shall be payable as to

principal at the office of the Paying Agent, in any coin or currency which on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1997 B Bonds shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

In addition to the terms set forth herein and in anticipation of the sale of the Series 1997 B Bonds to the Authority, the Issuer covenants that the Series 1997 B Bonds shall comply in all respects with the provisions of the Loan Agreement and any resolution of the Authority authorizing the issuance of Series 1997 B Bonds.

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

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

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

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

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

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

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

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Prior Bonds, the Series 1997 A Bonds and the Series 1997 B Bonds shall be secured forthwith equally and ratably and on a parity with each other, by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and the Prior Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Depreciation Fund hereinafter established or established in the Prior Resolutions, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds and the Prior Bonds as the same become due.

Section 3.09. Form of Bonds. The text of the Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Government Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
MASON COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1997 A

No. AR-1

\$1,440,000

September 25, 1997

United States of America
National Finance Office
1520 Market Street
St. Louis, Missouri 63103

FOR VALUE RECEIVED, the Mason County Public Service District, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia, in Mason County (herein called the "Borrower"), promises to pay to the order of the United States of America (herein called the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of One Million Four Hundred Forty Thousand Dollars (\$1,440,000) or such lesser amount as shall then be reflected on the Record of Advances and Payments attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of four and 875/1000 percent (4.875%) per annum. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and Payments and shall cease to accrue on the amount outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments.

The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing the twenty-fifth (25th) day of the month following the month of delivery of this Bond and on the twenty-fifth (25th) day of each month thereafter for the first 24 months after the date hereof, and thereafter on the twenty-fifth (25th) day of each month in installments of principal and interest in the aggregate amount of \$6,956, except the final installment shall be paid at the end of forty years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof and prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

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

Pre-payments of scheduled installments, or any portion thereof, may be made at any time at the option of the Borrower. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government. Borrower has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued to permanently finance a portion of the costs of acquisition and construction of certain extensions, additions and improvements to the existing system (the "Project" and together with any further extensions, additions, betterments and improvements thereto, herein called the "System"); and to pay certain issuance and related costs in connection therewith. This Bond is authorized and issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the Board of the Borrower on September 25, 1997, and supplemented by a Supplemental Resolution duly adopted by said Board on September 25, 1997 (collectively, the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER SYSTEM REVENUE BONDS, SERIES A, ISSUED IN THE PRINCIPAL AMOUNT OF \$1,100,000 (THE "SERIES 1981 BONDS"), THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, ISSUED IN THE PRINCIPAL AMOUNT OF \$610,000 (THE "SERIES 1987 BONDS," AND COLLECTIVELY WITH THE SERIES 1981 BONDS, THE "PRIOR BONDS"), AND THE MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 B, ISSUED SIMULTANEOUSLY HERewith, IN THE PRINCIPAL AMOUNT OF \$818,000 (THE "SERIES 1997 B BONDS").

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, which lien is on a parity as to security and source of payment with the lien of the Series 1997 B Bonds and the Prior Bonds, moneys in the Reserve Account created under the Resolution (the "Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on this Bond, the Prior Bonds, the Series 1997 B Bonds, and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted to the Government for the Bonds as provided herein and in the Resolution and in the Prior Resolutions. This Bond does not constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provisions or limitations, nor shall said Borrower be obligated to pay the same or the interest hereon except from the Net Revenues derived from the operation of said System, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution, the Borrower has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the proper and reasonable expenses of operation, repair and maintenance of said System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on the Bonds, the Series 1997 B Bonds, the Prior Bonds and on all obligations secured by or payable from such revenues prior to or on a parity with the Bonds, provided however, that so long as the Series 1997 A Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 A Bonds, including the Prior Bonds and the Series 1997 B Bonds, is funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Borrower has entered into certain further covenants with the owner of this Bond for the terms of which reference is made to said Resolution. Remedies provided the owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of Bank One, West Virginia, National Association (the "Registrar") which shall be kept for that purpose at the office of the Registrar, by the owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar duly executed by the owner or its attorney or legal representative duly authorized in writing.

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

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing

private and cooperative rates and terms in or near its community for loans for such purposes and periods of time.

If at any time it so appears to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, Borrower will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Borrower, 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 of the Borrower has been pledged to and will be set aside into said special fund by the Borrower for the prompt payment of the principal of and interest on this Bond.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Mason County Public Service District has caused this Bond to be signed by its Chairman and its seal to be hereunto impressed and attested by its Secretary, all as of the date first written above.

MASON COUNTY PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Mason County Public Service District Water Revenue Bonds, Series 1997 A, described in the within-mentioned Resolution and has been duly registered in the name of the United States of America as of the date set forth below.

Date: September 25, 1997

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By _____
Trust Officer

RECORD OF ADVANCES AND PAYMENTS

Advances

Date	Amount	Initialed By
(1)	\$	
(2)	\$	
(3)	\$	
(4)	\$	
(5)	\$	
(6)	\$	
(7)	\$	
(8)	\$	
(9)	\$	
(10)	\$	

TOTAL: \$ _____

UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE

By: _____
(Title)

RECORD OF ADVANCES AND PAYMENTS

Payments

Date	Amount	Initialed By
(1)	\$	
(2)	\$	
(3)	\$	
(4)	\$	
(5)	\$	
(6)	\$	
(7)	\$	
(8)	\$	
(9)	\$	
(10)	\$	

TOTAL: \$ _____

UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE

By: _____
(Title)

[Form of Assignment]

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

Dated: _____, ____.

In the presence of:

[Form of Authority Bonds]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
MASON COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1997 B

No. BR-1

\$818,000

KNOW ALL MEN BY THESE PRESENTS: That MASON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Mason County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of Eight Hundred Eighteen Thousand Dollars (\$818,000) or such lesser amount as is set forth on the Record of Advances, attached hereto as Exhibit A and incorporated herein by reference, in installments on the 1st day of March, the 1st day of June, the 1st day of September and the 1st day of December in each year beginning September 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of three percent (3%) per annum as set forth on said Exhibit B.

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

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

This Bond is issued in the original principal amount of \$818,000 (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing waterworks system of the Issuer (the "Project" and together with any further extensions, additions, betterments and improvements thereto, herein called the "System"); and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931,

as amended (the "Act"), and a Resolution duly adopted by the Issuer on September 25, 1997 and a Supplemental Resolution duly adopted by the Issuer on September 25, 1997 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARTY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER SYSTEM REVENUE BONDS, SERIES A, ISSUED IN THE PRINCIPAL AMOUNT OF \$1,100,000 (THE "SERIES 1981 BONDS"), THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, ISSUED IN THE PRINCIPAL AMOUNT OF \$610,000 (THE "SERIES 1987 BONDS," AND COLLECTIVELY WITH THE SERIES 1981 BONDS, THE "PRIOR BONDS"), AND THE MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 A, ISSUED SIMULTANEOUSLY HEREWITH, IN THE PRINCIPAL AMOUNT OF \$1,440,000 (THE "SERIES 1997 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the lien of the Series 1997 A Bonds and the Prior Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1997 B Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on this Bond, the Prior Bonds, the Series 1997 A Bonds, and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted to the Authority for the Bonds as provided herein, in the Resolution and in the Prior Resolutions. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 B Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Bonds, Series 1997 A Bonds, the Prior Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, provided however, that so long as the Series 1997 B Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 B Bonds, including the Series 1997 A Bonds and the Prior Bonds, is funded at an amount at least equal to the requirement

therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

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

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

[Remainder of Page Intentionally Left Blank]

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

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: September 25, 1997

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By _____
Trust Officer

EXHIBIT A

RECORD OF ADVANCES

Amount	Date	Amount	Date
(1) \$		(7) \$	
(2) \$		(8) \$	
(3) \$		(9) \$	
(4) \$		(10) \$	
(5) \$		(11) \$	
(6) \$		(12) \$	
Total \$ _____			

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, ____.

In the presence of:

Section 3.10. Sale of Series 1997 A Bonds. The Series 1997 A Bonds shall be sold to the Government pursuant to the terms and conditions of the Letter of Conditions and any and all amendments thereto. The provisions of the Letter of Conditions are specifically incorporated in this Resolution.

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

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

ARTICLE IV

LINE OF CREDIT

Section 4.01. Authorization of Line of Credit. To provide funds for the acquisition and construction of the Project when other funds are temporarily not available therefor, the Issuer is hereby authorized to arrange for a Line of Credit in an amount not to exceed \$2,258,000. The amount and terms of the Line of Credit may be approved by a resolution supplemental hereto; Provided, that the Issuer has obtained an order of the PSC approving the Line of Credit, the time for rehearing and appeal of which expired or the rights of all parties have been waived.

Section 4.02. Authorization of Credit Line Note. For the purpose of evidencing any draw upon the Line of Credit and thus, of financing a portion of the cost of acquisition and construction of the Project, there may be issued the Credit Line Note of the Issuer in an amount and upon such terms as set forth in a resolution supplemental hereto. The Credit Line Note may be issued in single, fully registered form and dated as of the date of delivery thereof. There shall be attached to the Credit Line Note a Record of Advances and Payments, upon which the date and principal amount of any draw upon the Line of Credit, the date and amount of any payment of principal of the Credit Line Note and the amount of the Credit Line Note outstanding after either of said transactions shall be recorded. Anything to the contrary herein, in the Line of Credit Agreement or therein notwithstanding, the Credit Line Note shall evidence only the outstanding indebtedness recorded on the Record of Advances and Payments attached thereto, and interest shall accrue only on the amount of each advance from the actual date thereof as listed on said Record of Advances and Payments. Each such advance shall bear interest, payable at such times and at a rate set forth in a supplemental resolution, but not to exceed the then legally permissible limit. Interest shall cease to accrue on the amount of the Credit Line Note outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments. The Credit Line Note shall mature not more than thirty (30) months from the date thereof. The Credit Line Note shall be subject to such further terms as shall be provided by the Line of Credit Agreement. Notwithstanding the foregoing, the terms of the Credit Line Note, other than the principal amount thereof, may be modified by resolution supplemental and amendatory hereto, subject to the limits of the Act.

The Credit Line Note shall be payable as to principal upon surrender at the principal office of the Note Registrar, in any coin or currency which on the date of payment of principal is legal tender for the payment of public and private debts under the laws of the United States of America; provided, that any partial payment or principal prior to the final maturity of the Credit Line Note shall be recorded on the Record of Advances and Payments attached to the Credit Line Note, and the Credit Line Note shall be returned to the Registered Owner. Interest on the Credit Line Note shall be paid by check or draft mailed to the Registered Owner thereof at the address as it appears on the books of said Notes Registrar;

provided, that, at the option of the Registered Owner, such payment may be made by wire transfer or such other lawful method as shall be mutually agreeable.

Section 4.03. Execution of Credit Line Note. The Credit Line Note shall be executed in the name of the Issuer by the signature of its Chairman, and the seal of the Issuer shall be impressed thereon and attested by the signature of the Secretary. Any Credit Line Note may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Credit Line Note shall hold the proper office of the Issuer, although at the date of such Credit Line Note such person may not have held such office or may not have been so authorized.

Section 4.04. Negotiability, Transfer and Registration. Subject to the restrictions on transfer set forth below, the Credit Line Note shall be and have all of the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State, and each successive Registered Owner, in accepting the Credit Line Note, shall be conclusively deemed to have agreed that said Credit Line Note shall be incontestable in the hands of a bona fide holder for value.

So long as the Credit Line Note or any portion thereof remains Outstanding, the Note Registrar shall keep and maintain books for the registration and transfer of the Credit Line Note. The Credit Line Note shall be transferable only upon the books of the Note Registrar which shall be kept for that purpose at the office of the Note Registrar (and in such capacity as paying agent) by the Registered Owner thereof in person or by its attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Note Registrar duly executed by the Registered Owner or its duly authorized attorney. Upon the transfer of the Credit Line Note, there shall be issued at the option of the Registered Owner or the transferee another Credit Line Note or Notes of the aggregate stated principal amount equal to the stated principal amount of such transferred Credit Line Note not paid as reflected on the Record of Advances and Payments attached thereto and outstanding in the aggregate principal amount equal to the advanced but unpaid amount of the transferred Credit Line Note as reflected on the Record of Advances and Payments attached thereto.

In all cases in which the privilege of transferring the Credit Line Note is exercised, Credit Line Notes shall only be issued in accordance with the provisions of this Ordinance and the Supplemental Resolution. All Credit Line Notes surrendered in any such transfers shall forthwith be cancelled by the Note Registrar. For every such transfer of Credit Line Notes, the Note Registrar may make a charge sufficient to reimburse its office for any tax, fee or other governmental charge required to be paid with respect to such transfer and the cost of preparing each Credit Line Note upon each transfer, and any other expenses of the Note Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer. The Note Registrar shall not be obligated to make any such transfer of Credit Line Notes during the ten (10) days preceding an interest payment date on the

Credit Line Notes or after notice of any prepayment of the Credit Line Notes have been given.

Section 4.05. Form of Credit Line Note and Line of Credit Agreement. The text of the Credit Line Note and the Line of Credit Agreement shall be in substantially the form set forth in the Supplemental Resolution. The Line of Credit Agreement shall be executed on behalf of the Issuer by the Chairman. The Credit Line Note shall not become valid until manually authenticated and registered by the Note Registrar.

Section 4.06. Security for the Note. The principal of and interest on the Credit Line Note is payable solely from and secured by the proceeds of the Bonds. Additionally, the Note is payable from and secured by the Net Revenues derived from the operation of the System; provided, that such lien on the Net Revenues is junior, inferior and subordinate in all respects to the lien thereon of the Holders of the Bonds and the Prior Bonds.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank.

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

- (1) Revenue Fund (established by Prior Resolutions);
- (2) Series 1997 A Bonds Construction Trust Fund;
- (3) Series 1997 B Bonds Construction Trust Fund;
- (4) Series 1997 A Bonds Reserve Account;
- (5) Depreciation Account (established by Prior Resolutions);
- (6) Renewal and Replacement Fund; and
- (7) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission.

The following special funds or accounts are hereby established with the Commission:

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

Section 5.03. System Revenues and Application Thereof. So long as the Bonds shall be Outstanding and unpaid, the Issuer covenants with the Bondholders as follows:

(A) The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund which is hereby continued. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities and as provided in the Prior Resolutions.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall, on the first day of each month commencing on the first day of the month following the month of delivery of the Bonds, set aside from the Net Revenues the amount necessary to make the following interest payments, on the dates set forth in the respective Bonds and Prior Bonds: (i) to make the interest payments required by the Prior Resolutions; (ii) to remit to the office and place designated by the Series 1997 A Bonds (herein called the "Series 1997 A Bonds Sinking Fund") the monthly payment (on the 25th of each month) of interest set forth in the Supplemental Resolution or such lesser amount as is required to pay the interest on the Series 1997 A Bonds as evidenced by the Record of Advances and Payments attached to the Series 1997 A Bonds as set forth in the Bond form in Section 3.09; and (iii) and on the first day of each month, commencing three months prior to the first date of payment of interest on the Series 1997 B Bonds, to remit to the Commission, for deposit in the Series 1997 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on said Series 1997 B Bonds on the next ensuing quarterly interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly interest payment date, the required amount of interest coming due on such date. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

(3) Next from the moneys in the Revenue Fund, the Issuer shall, on the first day of each month commencing on the first day of the month following the month of delivery of the Bonds, set aside from the Net Revenues the amount necessary to make the following principal payments, on the dates set forth in the respective Bonds and Prior Bonds: (i) to make the principal payments required by the Prior Resolutions; (ii) to remit to the Series 1997 A Bonds Sinking Fund the monthly payment (on the 25th day of each month) of principal set forth in the Supplemental Resolution or such lesser amount as is evidenced by the Record of Advances and Payments attached to the Series 1997 A Bonds as set forth in the Series 1997 A Bond form in Section 3.09, such amount or amounts being the amount required to amortize the principal of the Series 1997 A Bonds over the life of the Series 1997 A Bonds; and (iii) and on the first day of each month, commencing three months prior to the first date of payment of principal on the Series 1997 B Bonds, to remit to the Commission, for deposit in the Series 1997 B Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will become due on said Series 1997 B Bonds on the next ensuing quarterly principal payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date. If funds in the Revenue Fund are not

sufficient to make all the payments required by this section, the Issuer shall apportion and prorate the funds available to the payments required herein.

The deposits to the Series 1997 A Bonds Sinking Fund provided herein, constitute actual payments of principal and interest on the Series 1997 A Bonds issued to the Government.

(4) Next from the moneys in the Revenue Fund, the Issuer shall, on the first day of each month commencing on the first day of the month following the month of delivery of the Bonds, set aside from the Net Revenues the amount necessary to make the following reserve account payments, on the dates set forth in the respective Bonds and Prior Bonds: (i) to make the reserve account payments required by the Prior Resolutions; (ii) to deposit in the Series 1997 A Bonds Reserve Account, on the 25th day of each month of each year beginning with and including the month in which payments from the Revenue Fund for principal on the Series 1997 A Bonds are commenced, an amount equal to one one-hundred twentieth ($1/120$) of the Series 1997 A Bonds Reserve Requirement; and (iii) to remit to the Commission for deposit in the Series 1997 B Bonds Reserve Account, on the first day of each month, commencing three months prior to the first date of payment of principal of the Series 1997 B Bonds, if not fully funded upon issuance of the Series 1997 B Bonds, an amount equal to $1/120$ of the Series 1997 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1997 A Bonds Reserve Account and Series 1997 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 A Bonds Reserve Requirement (in the case of the Series 1997 A Reserve Account) or the Series 1997 B Bonds Reserve Requirement (in the case of the Series 1997 B Reserve Account). If funds in the Revenue Fund are not sufficient to make all the payments required by this section, the Issuer shall apportion and prorate the funds available to the payments required herein.

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

All investment earnings on moneys in the Series 1997 B Bonds Sinking Fund and the Reserve Account therein shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited for use in the Earnings Fund as required by Section 9.03.

No further payments shall be made into the Reserve Accounts when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 A Bonds Reserve Requirement and the Series 1997 B Bonds Reserve Requirement. Moneys in the Reserve Accounts shall be used only for the purpose of payment of maturing principal of or interest on the Bonds when moneys in the Revenue Fund or, in the case of bonds other than the Bonds originally authorized hereby, the funds

in a sinking fund created by Supplemental Resolution are insufficient therefor and for no other purposes.

Any withdrawals from the Reserve Accounts which result in a reduction in the balance of the Reserve Accounts to below the Reserve Requirements shall be subsequently restored from the first Net Revenues available after all required payment to the Sinking Funds and Reserve Accounts, including any deficiencies for prior payments, have been made in full.

As and when Additional Bonds ranking on a parity with the Bonds are issued, provision shall be made by Supplemental Resolution for additional payments sufficient to pay the interest on such Additional Bonds and to accomplish retirement thereof at or before maturity and to accumulate a balance in the Reserve Account in an amount equal to the maximum provided and required to be paid in principal and interest in any succeeding year for account of all the Bonds.

(5) Next from the moneys in the Revenue Fund, the Issuer on the first day of each month shall transfer the amounts, if any, required by the Prior Resolutions to be deposited in the Depreciation Account. Simultaneously therewith, the Issuer shall deposit in the Renewal and Replacement Fund an amount equal to two and one-half percent (2 1/2%) of the gross revenues of the System, exclusive of any payments into the respective Reserve Accounts and the deposit, if any, into the Depreciation Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the respective Reserve Accounts.

(6) If all of the above required payments are then current, the Issuer may use any moneys remaining in the Revenue Fund for the following purposes: (a) for prepayment of the amount, or any part thereof, of the Bonds Outstanding in accordance with the terms thereof, (b) additions, betterments or improvements to the System which the Consulting Engineers certify are needed and/or (c) payments of principal and interest on subordinate water revenue bonds, or other obligations which may hereafter be issued by the Issuer on account of the System.

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

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

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

(B) All of the funds and accounts provided for above shall constitute trust funds and shall be used only for the purposes provided herein.

(C) The moneys in excess of the sum insured by the maximum amounts insured by the FDIC in the Revenue Fund, in the Series 1997 A Bonds Reserve Account, in the Depreciation Account, and in the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or such other obligations as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

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

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

(F) The Gross Revenues of the System shall only be used for purposes of the System.

Section 5.02. Tap Fees. During the construction of the Project, Tap Fees, if any, shall be deposited, pro rata, in the respective Construction Trust Funds. Following completion of the Project, Tap Fees shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. All the moneys received from time to time from the sale of Bonds shall be deposited in the respective Construction Trust Funds.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Construction Trust Funds and shall comply with all requirements with respect to the disposition of the Construction Trust Funds set forth in this Resolution. Moneys in the Construction Trust Funds shall be used solely to pay Costs of the Project, except as provided in Section 6.02 below, and, until so expended, are hereby pledged as additional security for the respective series of Bonds.

Section 6.02. Series 1997 A Bonds Construction Trust Fund. The Series 1997 A Bonds Construction Trust Fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the Costs of the Project and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of Project, for the repayment of the outstanding principal and accrued interest on the Prior Note, and for the payment of interest on the Series 1997 A Bonds during construction and for a period up to six months thereafter and for no other purposes whatsoever. If approved by the Government, the moneys in said fund shall be secured at all times by the Depository Bank, by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Series 1997 A Bonds hereby authorized.

Expenditures or disbursements by the Depository Bank from said Series 1997 A Bonds Construction Trust Fund shall be made only after such expenditures or disbursements shall have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

Interest, if any, earned on the funds deposited in the Series 1997 A Bonds Construction Trust Fund must be remitted, at least quarterly, to the Government.

Section 6.03. Series 1997 B Bonds Construction Trust Fund. Monthly the Issuer shall provide the Council with a requisition for Costs incurred for the Project with such documentation as the Council shall from time to time require. Upon receipt of proceeds from the Authority, the Issuer shall deposit the proceeds in the Series 1997 B Bonds Construction

Trust Fund and pay any approved costs. Payments for Costs of the Project shall be made monthly.

Disbursements from the Series 1997 B Bonds Construction Trust Fund (except for the costs of issuance of the Bonds originally authorized hereby, which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineer, stating:

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

The Depository Bank shall not be required to monitor the application of disbursements from the Series 1997 B Bonds Construction Trust Fund. Pending such application, moneys in the Series 1997 B Bonds Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Series 1997 B Bonds hereby authorized.

Section 6.04. Project Expenditures. The Issuer shall coordinate with the Government and the Council on the monthly payment of the Costs of the Project and shall submit invoices and requisitions as directed by the Government and the Council.

Section 6.05. Series 1997 B Bonds Excess Bond Proceeds. Upon completion of the Project, any Series 1997 B Bonds proceeds not required for the Project Costs shall be applied as directed by the Authority and Council.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System which lien is on a parity as to such security and source of payment with the lien of the Prior Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds herein authorized and to make the payments into the Sinking Fund and the Reserve Account and all other payments provided for in this Resolution and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein and therein, to the payment of the principal of and interest on the Prior Bonds and the Bonds as the same become due, and for the other purposes provided in this Resolution and the Prior Resolutions.

Section 7.04. Rates. Approvals of equitable rates or charges for the use of and service rendered by the System have been obtained all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reductions in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all

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

Section 7.05. Sale of the System. So long as the Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government and the Authority, and such consent will specify the disposition of any such sale or transfer. So long as the Prior Bonds are outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of only in accordance with the terms of the Prior Resolutions and with the written consent of the Government and the Authority.

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

at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise, pro rata, in the Depreciation Account with respect to the Prior Bonds and the Renewal and Replacement Fund with respect to the Bonds. The payment of such proceeds into the Sinking Funds or the Depreciation Account and the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds (66 2/3%) in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Additional Bonds. A. As long as the Prior Bonds and the Bonds are outstanding, no Additional Bonds shall be issued without the prior written consent of the Government and the Authority, subject to the requirements set forth in Section 7.06B below.

B. In addition to the requirements of Section 7.06A above, as long as the Series 1997 B Bonds are outstanding, no Additional Bonds, payable out of the revenues of the System, shall be issued pursuant to this Resolution, except under the conditions and in the manner herein provided.

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

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

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

(1) The Bonds then Outstanding, including, without limitation, the Prior Bonds;

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

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

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

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

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

All covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 1997 B Bonds and the Holders of any Additional Bonds issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Additional Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Additional Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Outstanding Bonds on such revenues. The Issuer shall

not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1997 B Bonds.

No Additional 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 Additional Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

Section 7.07. Books and Records. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Government, acting by and through their duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Issuer shall submit to the Authority and the Government such documents and information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loans or any State and federal grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the Government and their agents and representatives to have access to the records pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

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

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

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

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

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

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

The Issuer shall keep and preserve all financial records for a period of ten (10) years, and such material, upon request, will be made available for public inspection.

Section 7.08. Fiscal Year: Budget. While the Bonds are Outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Government and the Authority within 30 days of the adoption thereof. No expenditures for operation and maintenance expenses of the System

in excess of such annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Board.

If for any reason the Issuer shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the adoption of the annual budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a budget of current expenses shall not constitute compliance with the covenant to adopt an annual budget unless the Issuer's failure to submit an annual budget shall be for a reason beyond the control of the Issuer. Each such budget of current expenses shall be delivered and mailed immediately as in the case of the annual budget.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit C, and forward a copy of such report to the Authority and Council by the 15th day of each month.

Section 7.09. Services Rendered by the System. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.10. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals, or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent, to the full extent permitted or authorized by the laws of the State and the rules and regulations of the PSC. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System to the extent allowed by law.

To the extent allowed by law and the PSC, whenever any rates, rentals or charges for the services and facilities of the System, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent and the owner, user and property shall be held liable at law until such time as all such rates and charges are fully paid.

The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, for any account not paid within sixty (60) days, discontinue and shut off the services and facilities of the System and, in the event the Issuer owns a sewer facility (the "Sewerage System"), the Sewerage System to all users of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System have been paid in full and all accrued penalties plus a reconnection charge have been paid and shall take all further actions to enforce collections to the maximum extent permitted by law. The Issuer further covenants to use its best efforts to enter into agreements with any other entities providing sewerage service to its users, providing for discontinuing and shutting off the services and facilities of the sewerage system to users of the System delinquent in payment.

Section 7.11. Insurance and Bonds. The Issuer hereby covenants and agrees that, so long as the Bonds remain Outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(B) Public Liability Insurance, with limits of not less than \$500,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than \$200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

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

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the

Issuer, and such payment bonds will be filed with the Clerk of The County Commission of Mason County prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bonds will be provided as to every officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or valuable property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available.

(G) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as the Government or the Authority holds any of the Bonds, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each prime contractor to carry insurance, of such types and in such amounts as the Government or the Authority may specify, and with insurance carriers or bonding companies acceptable to the Government or the Authority.

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

Section 7.13. Consulting Engineer. The Issuer will retain recognized, qualified independent Consulting Engineers on an annual basis to supervise generally the operation, maintenance and renewal of the System and report annually to the Issuer in writing their recommendations and comments as to the System. Such annual report of the Consulting Engineers or a summary thereof shall be made available at reasonable times to the Government, the Authority, the Council and to any Bondholder requesting the same.

Section 7.14. Contracts. A. Not later than simultaneously with the delivery of the Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer will submit all proposed change orders to the Council for written approval. The Issuer will obtain the written approval of the Council before expending any proceeds of the Series 1997 B Bonds held in "contingency" as set forth in the final Schedule B to the Loan Agreement. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 1997 B Bonds made available due to bid/construction/project underruns.

Section 7.15. Statutory Mortgage Lien. For the further protection of the Holders of Bonds, a statutory mortgage lien upon the System is granted and created by the Bond Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of the Bonds; provided however, that a statutory mortgage lien in favor of the Holders of the Bonds issued hereunder shall be on a parity with the statutory mortgage lien in favor of the owners of the Prior Bonds.

Section 7.16. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 7.17. Covenant to Amend Resolution. The Issuer retains the right to make any amendments, insertions or deletions by Supplemental Resolution of this Resolution as the Issuer deems necessary prior to the issuance of the Bonds to meet the requirements of the Government and the Authority.

Section 7.18. Compensation of the Issuer. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Public Service Board of the Issuer in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein and in the Prior Resolutions, nor when there is a default in the performance of or compliance with any covenants or provision hereof or of the Prior Resolutions.

Section 7.19. Funds and Accounts Under Prior Resolutions. The Issuer hereby covenants that all payments into the respective funds and accounts created under the Prior Resolutions will have been made in full as required by the Prior Resolutions prior to the date of delivery of the Bonds.

Section 7.20. Tax Covenants. The Issuer hereby further covenants and agrees with respect to the Series 1997 B Bonds and the Credit Line Note as follows:

A. **PUBLIC PURPOSE BONDS.** The Issuer shall use the proceeds of the Series 1997 B Bonds and the Credit Line Note solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as local governmental activity of the Issuer.

B. **PRIVATE ACTIVITY BOND COVENANT.** The Issuer shall not permit at any time or times any of the proceeds of the Series 1997 B Bonds, the Credit Line Note or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 1997 B Bonds or the Credit Line Note from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Series 1997 B Bonds or the Credit Line Note as 'private activity bonds' within the meaning of the Code.

The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Series 1997 B Bonds and the Credit Line Note.

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

D. **FEDERAL GUARANTEE PROHIBITION.** The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1997 B Bonds or the Credit Line Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

E. **INFORMATION RETURN.** The Issuer will file all statements, instruments and returns necessary to assure the tax exempt status of the Series 1997 B Bonds and the Credit Line Note, including without limitation the information return required under Section 149(e) of the Code.

F. **FURTHER ACTIONS.** The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Series 1997 B Bonds and the Credit Line Note will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

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

Section 7.22. Securities Law Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

DEFAULTS AND REMEDIES

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

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

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

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

(D) If a default occurs under the Prior Resolutions.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Bonds, or the rights of such Registered Owners.

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

and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

Section 8.04. Remedies On Parity With Prior Bonds. The exercise of any remedies set forth in Sections 8.02 and 8.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE IX

INVESTMENTS; NON-ARBITRAGE

Section 9.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission or the Depository Bank, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section.

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, including but not limited to those in the Construction Trust Fund, and used for the purpose of such fund or account. The interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the Owner, including the value of accrued interest and giving effect to the amortization of discount and investments in the "consolidated fund" of the West Virginia Board of Investments shall be valued at par. The 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 the loss on such liquidation. Such Depository Bank may make any and all investments permitted by this Section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Notwithstanding the foregoing, any investments made pursuant to this Resolution or the Prior Resolution shall comply with the guidelines of the Government and the Authority.

Section 9.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1997 B Bonds and the Note in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Series 1997 B Bonds and the Note so that the Series 1997 B Bonds and the Note will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds so that the interest on the Series 1997 B Bonds and the Note 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 9.03. Rebate of Excess Investment Earnings to the United States. A. **CREATION OF FUNDS.** There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Series 1997 B Bonds, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than \$100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code or the Loan Agreement, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to the Series 1997 B Bonds Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

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

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

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

taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

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

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

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

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

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Series 1997 B Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason,

amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

In the event the Issuer fails to make any such rebates as required, the Issuer shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

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

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

G. **INDEPENDENT CONSULTANTS.** In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. **FURTHER AGREEMENT.** Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Series 1997 B Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

I. **REPORTING TO AUTHORITY.** The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority and shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Series 1997 B Bonds (as that term is defined in the Code) from time to time as the Authority may request.

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

K. REBATE CALCULATIONS FOR CREDIT LINE NOTE. To the extent necessary and applicable, the Issuer will make all rebate calculations, remit all required rebate amounts and otherwise fully comply with the requirements of this Section 9.03 with respect to the Credit Line Note.

ARTICLE X

MISCELLANEOUS

Section 10.01. Modification or Amendment. Except as provided in Section 7.17, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the respective rights of Owners of the Series 1997 A Bonds and Series 1997 B Bonds shall be made without the consent in writing of the Owners of 66-2/3 percent or more in principal amount of the Series 1997 A Bonds and Series 1997 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the Net Revenues of the System without the consent of the respective Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds respectively, required for consent to the above-permitted amendments or modifications.

Section 10.02. 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, any Supplemental Resolution or the Bonds.

Section 10.03. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.04. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, in conflict with this Resolution are, to the extent of such conflict, repealed; provided, that no provision of the Government's Form 1942-47 or the Prior Resolutions shall be repealed hereby.

Section 10.05. Covenant of Due Procedure. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred, and are, duly in office and duly qualified for such office.

Section 10.06. Satisfaction and Discharge. A. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1997 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the respective pledges of Net Revenues, and

other moneys and securities pledged under this Resolution, and all covenants, agreements and other obligations of the Issuer to the Series 1997 A Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. Any payment of the Series 1997 A Bonds must comply with the terms of the Letter of Conditions and any Government regulations.

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

Series 1997 B Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on such Series 1997 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1997 B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1997 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1997 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Series 1997 B Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

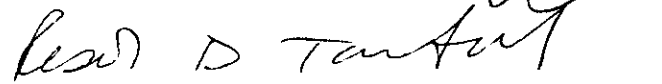
Section 10.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

Adopted this 25th day of September, 1997.

MASON COUNTY PUBLIC SERVICE DISTRICT

[SEAL]


Chairman, Public Service Board


Member, Public Service Board

Member, Public Service Board

CHAS 3:52250

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Mason County Public Service District.

[SEAL]

May L. Smith
Secretary, Public Service Board

EXHIBIT A
PROJECT DESCRIPTION

The Project consists of approximately 6.6 miles of 8" and 6" waterline, two booster stations, two water storage tanks and a new well, and for expansion of the existing water treatment plant.

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE, AND OTHER TERMS OF THE MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 A AND SERIES 1997 B, AND THE LINE OF CREDIT; DESIGNATING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK FOR THE BONDS AND A REGISTRAR AND DEPOSITORY BANK FOR THE LINE OF CREDIT; APPROVING THE LOAN AGREEMENT WITH RESPECT TO THE SERIES 1997 B BONDS AND THE LINE OF CREDIT AGREEMENT WITH RESPECT TO THE LINE OF CREDIT; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE LINE OF CREDIT.

WHEREAS, the Public Service Board of the Mason County Public Service District (the "District") has duly and officially adopted a Bond and Line of Credit Resolution on September 25, 1997 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS FACILITY OF THE MASON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF \$1,440,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 A AND THE SALE THEREOF TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE AND \$818,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 B AND THE SALE THEREOF TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING A LINE OF CREDIT NOT TO EXCEED \$2,258,000; APPROVING THE LOAN AGREEMENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Mason County Public Service District Water Revenue Bonds, Series 1997 A, in an aggregate principal

amount not to exceed \$1,440,000 (the "Series 1997 A Bonds"), and the issuance of the Mason County Public Service District Water Revenue Bonds, Series 1997 B, in an aggregate principal amount not to exceed \$818,000 (the "Series 1997 B Bonds", and collectively with the the Series 1997 A Bonds, the "Bonds"), all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), but requires that the dates, interest rate, maturities, sale price and other terms of the Bonds should be established by a supplemental resolution;

WHEREAS, the Series 1997 A Bonds are proposed to be purchased by the United States Department of Agriculture, Rural Utilities Service (the "Government") and the Series 1997 B Bonds are proposed to be purchased by the West Virginia Water Development Authority (the "Authority") pursuant to the Loan Agreement to be entered into between the District and the Authority (the "Loan Agreement");

WHEREAS, the Resolution authorized the District to obtain a line of credit (the "Line of Credit") in an amount not to exceed \$2,258,000, evidenced by a note (the "Note") and a line of credit agreement (the "Line of Credit Agreement") to be entered into between the District and Bank One, West Virginia, National Association, Charleston, West Virginia, and requires that the dates, interest rate, maturities, sales price and other terms of the Line of Credit should also be established by supplemental resolution;

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution") be adopted and that the price, the maturity dates, the redemption provisions, the interest rate, and the interest and principal dates of the Bonds and the Line of Credit be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bonds and the Line of Credit be herein provided for; and

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

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

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be in the aggregate principal amount of \$2,258,000, with the following provisions:

(A) The Series 1997 A Bonds shall be in the form of one Bond, shall be dated the date of delivery, shall mature forty years from the date thereof, shall be numbered AR-1, and the principal amount advanced under the Bonds shall bear interest at the rate of four and 875/1000 percent (4.875%) per annum. Monthly installments of interest only on the amounts advanced under the Series 1997 A Bonds are payable monthly, commencing the twenty-fifth (25th) day of the month following the month of delivery of the Series 1997 A Bonds, for the first 24 months after delivery of the Series 1997 A Bonds and thereafter,

monthly installments of principal and interest on the Series 1997 A Bonds, in the aggregate amount of \$6,956, are payable on the twenty-fifth (25th) day of each month, except that the final installment on the Series 1997 A Bonds shall be made 40 years from the date of the Series 1997 A Bonds in the sum of the unpaid principal and interest remaining unpaid on the date thereof. The Series 1997 A Bonds are subject to prepayment as set forth in the Resolution.

(B) The Series 1997 B Bonds shall be originally issued in the form of a single bond, numbered BR-1, in the principal amount of \$818,000. The Series 1997 B Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2037, and shall interest at a rate of three percent (3%) per annum, commencing June 1, 1998. The principal and interest on the Series 1997 B Bonds are payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1998. The Bonds shall be subject to redemption upon the written consent of the Authority and the Infrastructure Council, upon payment of the redemption premium, if any, and upon continued compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Bonds, and shall be payable in installments of principal in the amounts as set forth in "Schedule Y" attached thereto and incorporated herein by reference.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District hereby approves and accepts the offer of the Government to purchase the Series 1997 A Bonds. The execution and delivery by the Chairman and Secretary of the Series 1997 A Bonds, and the performance of the obligations contained therein, on behalf of the District are hereby authorized, approved and directed. The price of the Series 1997 A Bonds shall be One Million Four Hundred Forty Thousand Dollars (\$1,440,000) (100% of par value). At least ~~Eighty Seven Thousand Five Hundred Ninety Three Dollars (\$87,593)~~ One Hundred Ninety-Five Thousand (\$195,000) will be advanced on the date of Closing and the remaining purchase price will be advanced to the District as needed to pay the Costs of the Project.

Section 4. All principal and interest payments on the Series 1997 A Bonds will be paid to the order of the United States of America on behalf of the United States Department of Agriculture at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

Section 5. The Series 1997 A Bonds shall be issued as a fully registered Bond, both as to principal and interest, and shall be registered to the United States of America on behalf of the United States Department of Agriculture, Rural Utilities Service, P. O. Box 678, Morgantown, West Virginia 26505.

Section 6. The District does hereby ratify, approve and accept the Loan Agreement with respect to the Series 1997 B Bonds, including "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed. The price of the Series 1997 B Bonds shall be Eight Hundred Eighteen Thousand Dollars (\$818,000) (100% of par value). At least ~~One Hundred Ninety-Five Thousand (\$195,000)~~ will be advanced on the date of Closing and the remaining purchase price will be advanced to the District as needed to pay the Costs of the Project.

Eighty-Seven Thousand Five Hundred Ninety-Three Dollars (\$87,593) _____

Section 7. All principal and interest payments on the Series 1997 B Bonds will be paid to the order of the West Virginia Water Development Authority at the offices of the West Virginia Municipal Bond Commission, Paying Agent for the Series 1997 B Bonds.

Section 8. The Series 1997 B Bonds shall be issued as a fully registered Bond, both as to principal and interest, and shall be registered to the West Virginia Water Development Authority.

Section 9. The District hereby appoints and designates Bank One, West Virginia, National Association, Charleston, West Virginia, as Registrar for the Bonds.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement and construction contracts, as are required or desirable in connection with the Bonds and the Project hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority on or about September 25, 1997.

Section 11. (A) The Chairman and Secretary of the District are hereby authorized to enter into the Line of Credit Agreement with Bank One, West Virginia, National Association, Charleston, West Virginia (the "Bank") and to execute the Note. The Note shall be in the principal amount of \$2,258,000 or such lesser sum as shall be reflected by the Record of Advances and Payments attached thereto and shall be dated the date of delivery thereof. Interest shall accrue only on the amount of the outstanding indebtedness from the actual date of each advance or payment, as the case may be, as listed on said Record of Advances and Payments and shall cease to accrue on the Record of Advances and Payments. Such interest shall be at a variable rate at 75% of the Bank One, Columbus, N.A. Prime Rate, the last rate publicly announced or published from time to time by Bank One, Columbus, N.A., Columbus, Ohio, as its prime lending rate, calculated daily, and payable monthly, but in no event shall the interest rate exceed eighteen (18) percent per annum. The Note shall mature twenty-four months from the date of delivery. Such interest shall be based

upon a year of 360 days and shall be paid in arrears of the fifth day of each month, beginning with the fifth day of the month next succeeding the month in which the first advance under the Line of Credit is made.

(B) The sale of the Note to the Bank is hereby approved. The text of the Note and the Line of Credit Agreement shall be in substantially the form set forth in Exhibit A attached hereto and incorporated herein by reference. The Chairman is hereby authorized and directed to execute the Line of Credit Agreement and Note by his manual signature and the Note shall be attested by the Secretary of the District by her manual signature and the seal of the District shall be impressed thereon.

Section 12. The proceeds of the Line of Credit, as drawn from time to time, shall be deposited in or credited to the Construction Trust Fund, as received from time to time for payment of the Costs of the Project.

Section 13. All other provisions relating to the Line of Credit shall be as provided in the Resolution, and the Note shall be in substantially the form attached as Exhibit II to Exhibit A hereto, with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Note by the Chairman shall be conclusive evidence of such approval.

Section 14. The District does hereby ratify, approve and accept the Line of Credit Agreement, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Line of Credit Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 15. The District hereby reaffirms and appoints Bank One, West Virginia, National Association, Charleston, West Virginia, as Note Registrar.

Section 16. The District hereby reaffirms and appoints Bank One, West Virginia, National Association, Point Pleasant, West Virginia, as the Depository Bank, as provided in the Resolution and in the Note.

Section 17. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments until further directed by the District. Moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 18. The District shall not permit at any time or times any of the proceeds of the Bonds, the Note or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds or the Note from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds or the Note as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 19. The financing of the Project in part with proceeds of the Bonds and the Note 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 20. The District hereby approves the Costs of Issuance and authorizes the payment of the same.

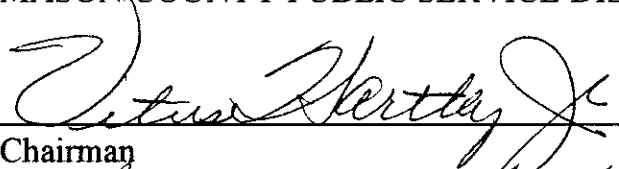
Section 21. The District does hereby find and determine that the amount of bonds, other than private activity bonds which it and all subordinate entities anticipate issuing during calendar year 1997 shall not exceed \$10,000,000 and therefore the District hereby designates the Line of Credit Note as "qualified-tax-exempt obligations" for purposes of Section 265(b) of the Code.

Section 22. This Supplemental Resolution shall be effective immediately upon adoption.

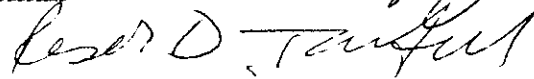
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Dated: September 25, 1997

MASON COUNTY PUBLIC SERVICE DISTRICT



Chairman



Member

Member

[SEAL]



Secretary

CHASFS3:105072

Bank One, West Virginia, NA
Charleston
707 Virginia Street
Post Office Box 1113
Charleston WV 25324 1113

Tel 304 348 4411
Fax 304 348 4462

1.7



September 25, 1997

Mason County Public Service District
101 Camden Avenue
Point Pleasant, West Virginia 25550

Re: \$2,258,000 Irrevocable Line of Credit

Ladies and Gentlemen:

At your request and on your instruction, we, the undersigned bank (the "Bank"), hereby establish in your favor the revolving line of credit in the amount of \$2,258,000 (the "Stated Amount"). You may draw upon such line of credit from time to time as hereinafter set forth, but the aggregate amount outstanding at any time may not exceed the Stated Amount.

This line of credit is extended to you for the purpose of providing funds for the completion of the Project to the extent Bond Proceeds or other funds are not timely available therefor. It is our understanding that this line of credit was authorized by a Bond and Line of Credit Resolution adopted by the Board of Mason County Public Service District (the "District") on September 25, 1997, and the Supplemental Resolution adopted September 25, 1997 (collectively, the "LOC Resolution"). Capitalized terms used and not otherwise defined in this letter shall have the respective meanings given them in the LOC Resolution.

This line of credit is irrevocable to the extent set forth herein. Subject to the further provisions of this letter, a draw upon the line of credit may be made by you on or after September 25, 1997, but prior to the expiration date hereof, in the event and to the extent funds are needed for the completion of the construction of the Project and are not otherwise timely available therefor. On or after such date and in such event, a draw upon the line of credit may be made by you by presentation to the Bank at 707 Virginia Street, East, Charleston, West Virginia, of your certificate, on your letterhead and signed by your authorized officer, in the form of Exhibit I attached hereto and incorporated herein by reference, duly completed. In accordance with said Exhibit I, such draw shall be in the amount demanded; provided, that the aggregate principal amount of draws, including such draw, shall not, at any one time, exceed the Stated Amount. Each certificate tendered and

in the form of Exhibit I attached hereto must be accompanied by a disbursement request form, signed by your authorized representative and an authorized representative of the consulting engineer on the Project, certifying that the expenses for which the draw is sought have been incurred as Costs of the Project, have not been the basis for any previous reimbursement, are now due and owing, are or were necessary in connection with the Project, and were otherwise properly incurred. Each certificate tendered and in the form of Exhibit I attached hereto must also be endorsed by the United States Department of Agriculture, Rural Utilities Service ("RUS"), approving payment of the various invoices which the funds disbursed under the draw will be used to pay.

Prior to the Bank's disbursement of funds under your first draw, the following conditions precedent shall have occurred:

1. The Bank shall have received duly executed copies of all promissory notes, loan agreements, security agreements, financial statements, assignments, guarantees, borrowing resolutions, trust agreements, appraisals and other documents and instruments necessary or advisable in connection with the Note (as defined herein), all of which shall be in form and substance satisfactory to the Bank and its counsel.
2. The Bank shall have received evidence satisfactory to the Bank as to the validity, enforceability and priority of the Bank's security interest in the proceeds of the Mason County Public Service District Water Revenue Bonds, Series 1997 A, and the Mason County Public Service District Water Revenue Bonds, Series 1997 B (collectively, the "Bonds"), and the lien on the net revenues of the your water system, which lien is junior, inferior and subordinate to the lien of the holders of the Bonds and the holders of the Prior Bonds, all as defined and provided in the LOC Resolution.
3. The Bank shall have received the written opinion of counsel as to the validity and enforceability of the loan documents and such other matters as the Bank may reasonably require.
4. The Bank shall have received such other financial or other information as it may reasonably require including, without limitation, the following documents and opinions, which shall be subject to the review and acceptance of the Bank's counsel:
 - a. Copies of fully accepted commitment letters from RUS and the West Virginia Infrastructure and Jobs Development Council committing to their respective purchases of the Bonds. You

shall have met all conditions required in said commitment letters to the satisfaction of the Bank.

- b. A certified copy of the LOC Resolution.
- c. All necessary opinions to cause the interest on the Note to be qualified as tax exempt.

Prior to the Bank's disbursement of funds under any draw, the Bank shall have determined to its satisfaction: (a) that there shall exist no event of default under the LOC Resolution; (b) that all representations and warranties contained herein and in the LOC Resolution shall be true and accurate; (c) that there shall have occurred no material adverse change in your financial condition or the financial condition of any other person liable for repayment of the Note; and (d) that the prospect of payment or performance of the Note has not been materially impaired. Prior to the Bank's disbursement of funds under any draw, a representative of the Bank shall have the right to physically inspect the Project to verify that the work described in the disbursement request form has been completed to the extent specified.

Draws upon the line of credit may be made by you on or after September 25, 1997, and prior to the expiration hereof at any time during the Bank's business hours at its address set forth above on a Business Day (as hereinafter defined). As used herein, the term "Business Day" means a day on which the Bank is open for the purpose of conducting a commercial banking business. If demand for a draw upon the line of credit is made by you at or prior to 10:00 a.m., prevailing time, on a Business Day, and provided that such demand and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 p.m., prevailing time, on the Business Day next succeeding the date of said demand. If demand for a draw upon the line of credit is made by you hereunder after 10:00 a.m., prevailing time, on a Business Day, and provided such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 p.m., prevailing time, on the second (2nd) Business Day next succeeding the date of said demand. If the demand for a draw upon the line of credit made by you does not, in any instance, conform to the terms and conditions of this letter, the Bank shall give you prompt notice that the draw was not effected in accordance with the terms and conditions of this letter, stating the reasons therefor and that the Bank is holding any documents at your disposal or is returning the same to you, as the Bank may elect. Upon being notified that the

draw was not effected in accordance with this letter, you may attempt to correct any such nonconforming demand for a draw upon the line of credit if, and to the extent that, you are entitled (without regard to the provisions of this sentence) and able to do so.

Unless the Bank is then in default hereunder by reason of its having wrongfully failed to honor a demand for a draw upon the line of credit, such line of credit shall expire on the earlier to occur of (i) the Bank's close of business at its address set forth above on September 25, 1999, (ii) receipt by the Bank of a notice of prepayment in whole by the Issuer, requiring that the Note, as hereinafter described, be surrendered in connection with such prepayment, or (iii) receipt by the Bank of a certificate from the Issuer and the Consulting Engineer that the Project has been completed and payment therefor fully made, provided, that, if any of said dates shall not be a Business Day, the line of credit shall expire on the close of business at such address on the first Business Day next succeeding said date. The agreement set forth by this letter shall terminate upon expiration of the line of credit without a draw thereunder or upon payment to the Bank of all principal of and interest on the Note, as hereinafter described, as such outstanding principal is reflected, from time to time, on the Record of Advances and Payments attached thereto.

The Issuer's obligation to repay the Bank for any draw upon the line of credit shall be evidenced by its water revenue note (the "Note") in the stated principal amount of \$2,258,000, in substantially the form attached as Exhibit II hereto. Notwithstanding said stated principal amount, the Note shall evidence only the outstanding indebtedness reflected on the Record of Advances and Payments attached hereto. Each advance shall bear interest at such rate, payable at such times, and the Note shall mature and be subject to prepayment and such other terms and provisions, as shall be described in Exhibit II.

All documents presented to us in connection with any demand for a draw upon the line of credit, as well as all notices and other communications to us in respect of this letter or the line of credit, shall be in writing and addressed and presented to us at our above address. Such documents, notices and other communications shall be personally delivered to us. Unless otherwise agreed by the Bank, all draws will be made to a demand deposit account maintained at the Bank in your name.

This letter sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any other document, instrument or agreement except only Exhibits I and II hereto and the LOC Resolution. Upon execution by the Chairman of the District of the duplicate letter attached hereto and return

Mason County Public Service District
September 25, 1997
Page 5

of such letter to us, and the Note, this letter shall become an agreement between the Bank and the District, governed by the laws of the State of West Virginia.

Very truly yours,

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION,

By: _____
David W. Bunger
Vice President

Accepted this 25th day of September, 1997.

MASON COUNTY PUBLIC SERVICE DISTRICT

By: _____
Chairman

CHASFS3:105073

EXHIBIT I

[LETTERHEAD OF MASON COUNTY PUBLIC SERVICE DISTRICT]

_____, 19__

Bank One, West Virginia, National Association
Attention: Commercial Loans
707 Virginia Street, East
P.O. Box 1113
Charleston, WV 25324-1113

Re: \$2,258,000 Irrevocable Line of Credit

Gentlemen:

We refer to our letter agreement dated as of September 25, 1997 (the "Letter Agreement"), with respect to the above-referenced line of credit (the "Line of Credit"). Terms defined in the Letter Agreement have the same meanings when used herein.

1. We hereby make demand for a draw upon the Line of Credit to pay a portion of the costs of the Project.

2. There are not available Bond Proceeds to pay such costs, currently due and owing.

3. The balance of available Bond Proceeds with respect to the Project is \$_____.

4. The principal amount of the Note outstanding, as evidenced by the Record of Advances and Payments, aggregates \$_____.

5. Accordingly, \$_____ of the Stated Amount is available to be drawn.

6. A draw upon the Line of Credit is hereby demanded in the following amount, as expressed in words and figures:

_____ DOLLARS (\$_____).

Please deposit the amount hereby demanded in our Construction Trust Fund (account number _____) with you.

**MASON COUNTY PUBLIC SERVICE
DISTRICT**

By _____
Authorized Officer

Exhibit II

**United States of America
State of West Virginia
Mason County Public Service District
Water Revenue Note
Series 1997
Number NR-1
\$2,258,000**

KNOW ALL MEN BY THESE PRESENTS: That MASON COUNTY PUBLIC SERVICE DISTRICT, a public corporation organized and existing under the laws of the State of West Virginia (the "District"), for value received, hereby promises to pay, but only from the special funds provided therefor, as hereinafter set forth, to BANK ONE, WEST VIRGINIA, NATIONAL ASSOCIATION, Charleston, West Virginia (the "Owner"), or registered assigns, the sum of Two Million Two Hundred Fifty-Eight Thousand Dollars (\$2,258,000), or such lesser sum as shall be reflected by the Record of Advances and Payments attached hereto, on September 25, 1997. Notwithstanding any provision of this Note to the contrary, this Note shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of the outstanding indebtedness from the actual date of each advance or payment, as the case may be, as listed on said Record of Advances and Payments and shall cease to accrue on the amount hereof outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments. Such interest shall be at a variable rate of 75% of the Bank One, Columbus, N.A. Prime Rate, the last rate publicly announced or published from time to time by Bank One, Columbus, N.A., Columbus, Ohio, as its prime lending rate, calculated daily, and payable monthly, but in no event shall the interest rate exceed eighteen (18) percent per annum. The Note shall mature and be payable in full twenty-four months from the date of delivery. Said interest shall be based upon a year of 360 days and shall be paid in arrears on the fifth day of each month, beginning with the fifth day of the month next succeeding the month in which the first advance, if any, under the Line of Credit, as hereinafter defined, is made. The Registrar, as hereinafter defined, shall notify the Board of the District of the amount of interest so accrued. Interest is payable, only from special funds as hereinafter described, by check or draft mailed to the Owner at the address as it appears on the books of Registrar, as hereinafter defined, or by wire transfer or other mutually agreeable method. This Note shall be payable as to principal upon surrender at the principal office of Bank One, West Virginia, National Association, Charleston, West Virginia, as registrar and paying agent (the "Registrar"), in any coin or currency which on the date of payment of principal is legal tender for the payment of public and private debts under the laws of the United States of America; provided, that, except in the case all the Note outstanding is being prepaid and either (i) the District's notice of prepayment requires surrender or (ii) the Line of Credit, as hereinafter defined, has expired any payment of

principal prior to the maturity of this Note as provided by the Resolution, as hereinafter defined, shall be recorded on the Record of Advances and Payments attached hereto, and this Note shall be returned to the Owner. Prepayments of the principal of this Note may be made upon two (2) days' notice to the Owner. Any such prepayment shall also be reflected on the Record of Advances and Payments attached hereto, and interest shall cease to accrue thereon.

This Note is issued pursuant to a Bond and Line of Credit Resolution (the "Resolution") adopted by the Board of the District on September 25, 1997 and a Supplemental Resolution adopted by the Board of the District on September 25, 1997 (collectively, the "LOC Resolution"), to evidence the District's obligation to repay any draw upon a line of credit (the "Line of Credit") by the District from Bank One, West Virginia, National Association (the "Bank"). This Note was issued to provide funds for the completion of the construction of certain extensions, betterments and improvements to the existing water system of the District to the extent bond proceeds and other funds are not timely available therefor.

This Note is issued, in addition to the Resolution, under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and is subject to all the terms and provisions of said Resolution and said Act. The principal of this Note is payable from bond proceeds.

This Note does not constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the District be obligated to pay the same or the interest hereon except from the special fund provided from the grant receipts. Under the Resolution, the District has entered into certain covenants with the Owner, for the terms of which reference is made to said Resolution. Remedies provided the Owner are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth below, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the Resolution, only upon the books of the District at the office of the Registrar by the Owner in person or by his attorney duly authorized in writing, upon surrender hereof, together with a written instrument of transfer satisfactory to said Registrar duly executed by the Owner or his duly authorized attorney. Upon transfer hereof, there shall be issued another fully registered Note or fully registered Notes of the aggregate stated principal amount equal to the stated principal amount thereof but evidencing only the indebtedness reflected on the Record of Advances and Payments attached hereto and outstanding in the aggregate principal amount equal to the advanced but unpaid amount hereof as reflected on the Record of Advances and Payments attached hereto.

This Note has been properly designated by the District as a “qualified tax-exempt obligation” as defined in Section 265(b)(3)(b) of the Code.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note exist, have happened and have been performed in due time, form and manner as required by law, and that this Note, 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 the bond proceeds and the net revenues of the system of the District have been pledged to and will be set aside into a special fund by the District for, and will be sufficient for, the payment of the principal and interest on this Note.

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

[Remainder of Page Intentionally Left Blank]

NR-1

IN WITNESS WHEREOF, Mason County Public Service District has caused this Note to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by the Secretary, all as of the 25th day of September, 1997.

Chairman

[SEAL]

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

The undersigned, as Registrar for this Note, hereby certifies that this Note is one of the Notes described in the above-mentioned Resolution and was duly registered in the name set forth above on the date set forth below.

Date: September 25, 1997

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION,

By _____
Its Authorized Officer

RECORD OF ADVANCES AND PAYMENTS*

<u>Date</u>	<u>Amount Advanced</u>	<u>Principal Payment</u>	<u>Outstanding** Balance</u>	<u>Authorized Officer</u>
-------------	----------------------------	------------------------------	----------------------------------	-------------------------------

* To be completed upon each draw upon or repayment on the Line of Credit.

** Not to exceed \$2,258,000 at any one time.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the Water Revenue Note, Series 1997, dated September 25, 1997, of the Mason County Public Service District, and does hereby irrevocably constitute and appoint _____, attorney to transfer said Note on the books of said District with full power of substitution in the premises.

DATED: _____

IN THE PRESENCE OF: _____

:

105077

**MASON COUNTY PUBLIC SERVICE DISTRICT
\$1,440,000 Water Revenue Bonds, Series 1997 A and
\$818,000 Water Revenue Bonds, Series 1997 B**

CERTIFICATE OF:

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

We, the undersigned CHAIRMAN and SECRETARY of the Mason County Public Service District, State of West Virginia, (herein called the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the fully registered Mason County Public Service District \$1,440,000 Water Revenue Bonds, Series 1997 A (the "Series 1997 A Bonds") and Mason County Public Service District \$818,000 Water Revenue Bonds, Series 1997 B (the "Series 1997 B Bonds"), numbered AR-1 and BR-1, dated the date hereof, bearing interest at the rate of four and 875/1000 percent (4.875%) per annum and three percent (3%) per annum, respectively (collectively, the "Bonds"), as follows:

1. **TERMS AND AWARD OF BONDS:** The entire issue of the Series 1997 A Bonds has been duly awarded to the United States Department of Agriculture, Rural Utilities Service ("RUS"), pursuant to a letter of conditions dated March 28, 1996, as amended on August 21, 1996, August 18, 1997 and September 15, 1997, a Bond Resolution adopted by the Public Service Board (the "Board") on September 25, 1997, and a Supplemental Resolution adopted by the Board on September 25, 1997 (collectively, the "Resolution"). All capitalized words and terms used in this Certificate and not otherwise defined shall have the same meaning as in the Resolution.

The entire issue of the Series 1997 B Bonds has been duly awarded to the West Virginia Water Development Authority ("WDA") acting on behalf of the West Virginia Infrastructure and Jobs Development Council, pursuant to the Loan Agreement dated September 25, 1997, and the Resolution.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining, or affecting the issuance and delivery of the Bonds; nor questioning the proceedings and authority by which the Board authorized the issuance and sale of the Bonds; nor affecting the validity of the Bonds or any provisions made or authorized for the payment thereof; nor questioning the existence of the Issuer or the title of the members or officers of the Issuer or of the Board thereof to their respective offices; nor questioning the construction and acquisition of the extensions, additions, betterments and improvements to the existing water system of the Issuer financed by the proceeds of sale of the Bonds (the "Project"), nor operation by the Issuer of such water system as expanded by the Project (such water system as so expanded, and any further extensions, additions, improvements or betterments thereto, herein collectively called the "System") nor the pledge of the Net Revenues of the System to the payment of the Bonds.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable approvals and certificates required by law for construction of the Project, operation of the System and issuance of the Bonds have been duly and timely obtained and remain in full force and effect, and competitive bids for construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia, 1931, as amended, which bids remain in full force and effect.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer or the System since the approval by RUS and WDA of the loans to assist in acquisition and construction of the Project.

The Bonds are on a parity as to lien on and source of and security for payment from the revenues of the System with the Issuer's Water Revenue Bonds, Series 1981 dated January 22, 1997, and the Issuer's Water Revenue Bonds, Series 1987, dated June 25, 1997 (collectively, the "Prior Bonds"). The Issuer is not in default with respect to the Prior Bonds,

has met the parity test of the Prior Resolutions and has received the written consent of RUS, the holder of the Prior Bonds, to issue the Bonds on a parity with the Prior Bonds.

5. **SIGNATURES:** The undersigned Chairman and Secretary are the duly elected, qualified and serving officers of the Issuer as indicated by the official titles opposite their signatures below, and were duly authorized to execute and seal the Bonds for the Issuer. The seal impressed upon the Bonds and this certificate is the duly authorized, proper and only seal of the Issuer.

6. **PUBLIC SERVICE COMMISSION ORDER:** The undersigned Attorney hereby covenants that he has filed any information with the Public Service Commission (the "PSC") and taken any other actions required to maintain the Public Service Commission Recommended Decision, dated July 7, 1997 and the final order dated July 27, 1997, in full force and effect.

7. **RATES:** The Issuer's current rates, as set by the PSC, are sufficient to meet the Loan Agreement requirements.

8. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate titled of the Issuer is "Mason County Public Service District," and it is a public service district of the State of West Virginia in Mason County of said State. The governing body of the Issuer is its Board, consisting of three members, a Chairman and a Secretary, whose names and dates of termination of terms of office for all members during these Bond proceedings, including current terms, as follows:

<u>Name</u>	<u>Date of Termination of Office</u>
Vitus Hartley, Jr, Chairman	5/28/98
Mario Liberatore	5/28/00
R. David Tarbett	5/28/02

The duly appointed and acting Secretary is Mary Smith. The duly appointed and acting attorney for the Issuer is R. Michael Shaw, Esq., Point Pleasant, West Virginia.

9. **LAND AND RIGHTS-OF-WAY:** All land is fee simple and all rights-of-way and easements necessary for the construction of the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions that would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties that may have to be acquired by condemnation are,

in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

10. **MEETINGS:** All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the Issuer in any way connected with the construction, acquisition, operation and financing of the Project were authorized or adopted at meetings of the Board duly and regularly or specifically called and held pursuant to all applicable statutes and the rules of procedure of Board, and a quorum of duly appointed, qualified and acting members of the Board was present and acting at all times during all such meetings.

11. **INSURANCE:** The Issuer has maintained and will, or, as appropriate, has required and will require all contractors to maintain Workers' Compensation, personal liability and property damage insurance, builder's risk, flood and real property insurance where applicable; in accordance with the Letter of Conditions of RUS, as amended, the Loan Agreement and the Resolution.

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

13. **TRUTH AND ACCURACY:** As of the date hereof, Vitus Hartley, Jr., Chairman, and Mary Smith, Secretary, hereby certify that the copies of documents previously or on the date hereof certified by them as being true and accurate are true and accurate as of the date hereof and that none of such documents has been repealed, rescinded, amended or otherwise modified.

14. **SPECIMEN BONDS:** Attached hereto as Exhibit A are the specimens of the Series 1997 A Bonds and the Series 1997 B Bonds which, except as to execution and authentication, are identical in all respect with the ones this day delivered to RUS and WDA and being substantially in the form prescribed in the Resolution.

15. **DELIVERY, PAYMENT AND TERMS OF BONDS:** On the date hereof, the Series 1997 A Bonds were delivered to RUS and the Series 1997 B Bonds were delivered to the WDA by the undersigned Chairman. At the time of such delivery, the Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Resolution. The Issuer received the first advance under the Series 1997 A Bond in the amount of \$195,000 representing a significant portion of the Bond delivered. The Issuer

received by check the first advance under the Series 1997 B Bond in the amount of \$87,593 representing a significant portion of the Bond delivered.

The Series 1997 A Bonds are dated the date hereof, and interest thereon at the rate of four and 875/1000 percent (4.875%) per annum is payable from such date on the amounts advanced under the Series 1997 A Bonds. The Series 1997 A Bonds shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the Issuer, and shall be payable as to both principal and interest as provided in the Series 1997 A Bonds.

The Series 1997 B Bonds are dated the date hereof, and interest thereon at the rate of three percent (3%) per annum is payable from such date on the amounts advanced under the Series 1997 B Bonds. The Series 1997 B Bonds shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the Issuer, and shall be payable as to both principal and interest as provided in the Series 1997 B Bonds.

16. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Series 1997 B Bonds and the interest thereon. Less than 10% of the proceeds of the Series 1997 B Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Town) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Series 1997 B Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Series 1997 B Bonds, including the disproportionate related business use of the proceeds of the Series 1997 B Bonds, and none of the payment of principal on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Series 1997 B Bonds. None of the proceeds of the issue of the Series 1997 B Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person, including related persons, other than a governmental unit or other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder (the "Code").

17. **NO FEDERAL GUARANTY:** The Series 1997 B Bonds are not and will be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

18. **IRS INFORMATION RETURN:** On the date hereof, the undersigned Chairman did officially sign properly completed IRS Form 8038-G for the Series 1997 B Bonds and will cause each such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania.

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

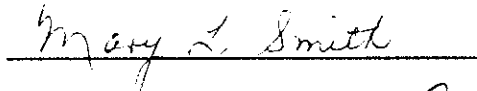
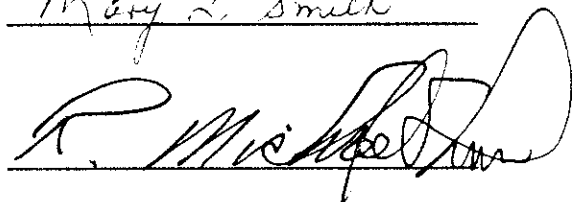
20. **WETLANDS COVENANT:** The use of any proceeds of the Series 1997 A Bonds for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity will constitute an Event of Default under the Resolution.

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

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

WITNESS our signatures and the official corporate seal of the Mason County Public Service District on this 25th day of September, 1997.

[CORPORATE SEAL]

<u>Signature</u>	<u>Official Title</u>
	Chairman
	Secretary
	Attorney

CHASFS3:52251

EXHIBIT A

Specimen Bonds

(see Section 3.9, Tab 23)

MASON COUNTY PUBLIC SERVICE DISTRICT
\$1,440,000 Water Revenue Bonds, Series 1997 A and
\$818,000 Water Revenue Bonds, Series 1997 B

CERTIFICATE OF SECRETARY
AS TO TRUTH AND ACCURACY OF DOCUMENTS DELIVERED

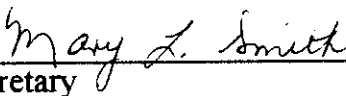
I, the undersigned, Mary Smith, Secretary of the Mason County Public Service District, West Virginia (the "Mason County Public Service District"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of \$1,440,000 in principal amount of the Mason County Public Service District Water Revenue Bonds, Series 1997 A and \$818,000 in principal amount of the Mason County Public Service District Water Revenue Bonds, Series 1997 B (the "Bonds") are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the Mason County Public Service District, that said documents have been duly adopted, enacted or entered by the Board of said Mason County Public Service District, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, amendment or modification is also listed below:

1. Rules of Procedure.
2. Order of The County Commission of Mason County (the "County Commission") creating the District.
3. Order of the County Commission appointing current Board members.
4. Oaths of Office of Board members.
5. Loan Resolution (Form FmHA 1942-47).
6. Letter of Conditions dated March 28, 1996, as supplemented on August 21, 1996.
7. Closing letters dated August 18, 1997 and September 15, 1997.
8. Loan Agreement dated September 25, 1997.
9. Excerpts of the Minutes of the September 25, 1997, special meeting of the Board of the Mason County Public Service District, wherein the Bond Resolution and the Supplemental Resolution (collectively, the "Resolution") were adopted.
10. Bond and Line of Credit Resolution.

11. Supplemental Resolution.

12. Recommended Decision of the Public Service Commission of West Virginia granting the Issuer a Certificate of Convenience and Necessity and approving the financing dated July 7, 1997, and which became a final order on July 27, 1997.

WITNESS my signature and the official seal of the Mason County Public Service District, West Virginia, as of the 25th day of September, 1997.



Secretary
Mason County Public Service District

(SEAL)

CHASFS3:52252

MASON COUNTY PUBLIC SERVICE DISTRICT

\$1,440,000 Water Revenue Bonds, Series 1997 A

CERTIFICATE OF CONSULTING ENGINEER

I, Manning Frymier, Registered Professional Engineer, West Virginia License No. 8497, of Cerrone and Associates, Inc., Consulting Engineers, Wheeling, West Virginia, hereby certify that my firm is engineer for the construction and acquisition of the extensions, additions, betterments and improvements to the existing water system (the "Project") of the Mason County Public Service District (the "Issuer") to be constructed primarily in Mason County, West Virginia, which construction and acquisition are being financed, in part, by the above-captioned bonds of the Mason County Public Service District.

The Project is estimated to cost \$2,258,000 and is being funded by a loan from the Rural Utilities Service ("RUS") in the aggregate principal amount of \$1,440,000 (the "RUS Loan"), and a loan from the West Virginia Water Development Authority on behalf of the West Virginia Infrastructure and Jobs Development Council in the amount of \$818,000.

I further state that to the best of my knowledge all requirements of the Letters of Conditions for the RUS Loan and the RUS Loan Resolution and all amendments thereto have been reviewed and that the Issuer has complied or will be in compliance with all requirements thereof consistent with the Project's funding schedule.

I state that the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed and the construction period is estimated at six and one-half months. To the best of my knowledge (i) the Project will be constructed in accordance with plans and specifications prepared by my firm and is situated wholly or chiefly within the boundaries of the Issuer; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals and permits for the construction thereof have been obtained or can be obtained; (iii) I have examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project and have ascertained that all contractors have made required provisions for all insurance, and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy and completeness; (iv) the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed; and (v) adequate funding is available to complete the Project in accordance with the plans and specifications.

WITNESS my signature on this 25th day of September, 1997.

CERRONE AND ASSOCIATES

[SEAL]

By: Manning Frymier
Manning Frymier
West Virginia License No. 8497

CHASFS3:52253

MASON COUNTY PUBLIC SERVICE DISTRICT

\$818,000 Water Revenue Bonds, Series 1997 B

CERTIFICATE OF CONSULTING ENGINEER

I, Manning Frymier, Registered Professional Engineer, West Virginia License No. 8497, of Cerrone and Associates, Inc., Consulting Engineers, Wheeling, West Virginia, hereby certify that my firm is engineer for the construction and acquisition of water facility upgrades (herein called the "Project") for Mason County Public Service District (the "District") to be constructed primarily in Mason County, West Virginia, which construction and acquisition are being permanently financed by the above-captioned bonds (the "Series 1997 B Bonds") of the District. Capitalized words not defined herein shall have the meaning set forth in the Bond Resolution adopted by the Public Service Board of the District on September 25, 1997, and the Loan Agreement by and between the District and the West Virginia Water Development Authority (the "Authority") for the Series 1997 B Bonds dated September 25, 1997.

1. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting that the Authority and Council purchase the Bonds (the "Application"), (ii) the Project has been approved by all necessary governmental bodies, (iii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least forty years, (iv) the District has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy and the District intends to enter into contracts with respect to said bids on or about September 25, 1997, (v) the District has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (vi) the rates and charges for the System as adopted by the Public Service Board of the District and approved by the Public Service Commission of West Virginia are sufficient to comply with the provisions of the Loan Agreement, and (vii) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application. Attached hereto as Exhibit A is the final amended "Schedule ~~X~~ - B *mhf* Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 25th day of September, 1997.

CERRONE AND ASSOCIATES, INC.

[SEAL]

By Manning Frymier
Manning Frymier
License No. 8497

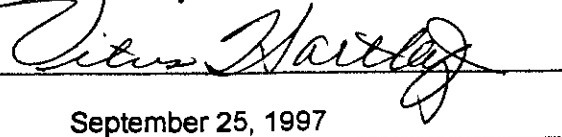
52571

SCHEDULE B
Mason County Public Service District
Water System Improvements Project 95W-010

Final Total Cost of Project, Sources of Funds and Cost of Financing

A. Cost of Project	Total	IJDC Loan	RUS Loan
1. Construction (Based on Actual Bids)	\$1,350,575.00	\$484,923.95	\$865,651.05
2. Technical Services	197,850.00	81,093.00	116,757.00
3. Legal & Fiscal	15,000.00	5,385.75	9,614.25
4. Administrative	5,000.00	1,795.25	3,204.75
5. Sites and Other Lands	30,000.00	716.55	29,283.45
6. Step I or II or Other Loan Repayment	173,284.00	0.00	173,284.00
7. Interim Financing Costs	100,000.00	0.00	100,000.00
8. Contingency			
a. General Contingency	221,866.00	79,660.50	142,205.50
b. Special Contingency	157,425.00	157,425.00	0.00
9. Total of Lines 1 through 8	\$2,251,000.00	\$811,000.00	\$1,440,000.00
B. Sources of Funds			
10. Federal Grants:	\$0.00	\$0.00	\$0.00
a.			
b.			
11. State Grants:	0.00	0.00	0.00
a.			
b.			
12. Other Grants:	0.00	0.00	0.00
13. Any Other Source:	0.00	0.00	0.00
a.			
b.			
14. Infrastructure Fund Grant	0.00	0.00	0.00
15. Total of Lines 10 through 14	\$0.00	\$0.00	\$0.00
16. Net Proceeds Required from Bond Issue (Line 9 minus Line 15)	\$2,251,000.00	\$811,000.00	\$1,440,000.00
C. Cost of Financing			
17. Funded Reserve Account	\$0.00	\$0.00	\$0.00
18. Other Costs	0.00	0.00	0.00
a. Bond Counsel	7,000.00	7,000.00	0.00
b.			
19. Total Cost of Financing (Lines 17 and 18)	7,000.00	7,000.00	0.00
20. Size of Bond Issue (Line 16 plus Line 19)	\$2,258,000.00	\$818,000.00	\$1,440,000.00

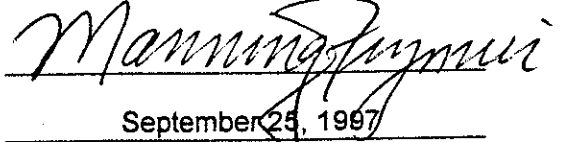
Mason County Public Service District



September 25, 1997

Date

Cerrone & Associates, Inc.



September 25, 1997

Date

MASON COUNTY PUBLIC SERVICE DISTRICT
\$1,440,000 Water Revenue Bonds, Series 1997 A and
\$818,000 Water Revenue Bonds, Series 1997 B

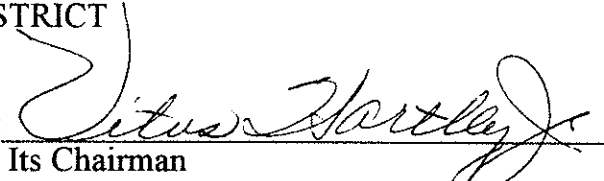
JOINT CERTIFICATE OF ISSUER AND DEPOSITORY BANK

The undersigned, Vitus Hartley, Jr., Chairman of the Mason County Public Service District (the "Issuer") and the undersigned, Barbara Goodnite, Assistant Branch Manager of the Bank One, West Virginia, National Association, a state banking corporation with its principal office in Point Pleasant, West Virginia in its capacity as depository bank (the "Depository Bank") under a Bond Resolution adopted by the Public Service Board of the Issuer on September 25, 1997 and a Supplemental Resolution adopted by the Public Service Board of the Issuer on September 25, 1997 (collectively, the "Resolution") authorizing issuance of the \$1,440,000 Mason County Public Service District Water Revenue Bonds, Series 1997 A and \$818,000 Water Revenue Bonds, Series 1997 B (the "Bonds"), dated September 25, 1997; hereby jointly certify as follows in connection with the above-captioned Bond issue:

The Issuer has duly executed the Resolution and appointed the Depository Bank and the Depository Bank has duly accepted to perform all duties of Depository Bank in connection with such Bonds, as set forth in the Resolution.

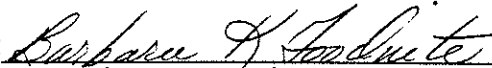
WITNESS our signatures this 25th day of September, 1997.

MASON COUNTY PUBLIC SERVICE
DISTRICT

By: 

Its Chairman

BANK ONE, WEST VIRGINIA, NATIONAL
ASSOCIATION

By: 

Its Assistant Branch Manager

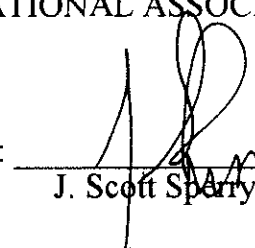
MASON COUNTY PUBLIC SERVICE DISTRICT
\$1,440,000 Water Revenue Bonds, Series 1997 A and
\$818,000 Water Revenue Bonds, Series 1997 B

ACCEPTANCE OF DUTIES OF REGISTRAR

Bank One, West Virginia, National Association, a national banking association with its principal office in Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Bond Resolution of the Mason County Public Service District adopted September 25, 1997, and the Supplemental Resolution adopted September 25, 1997 (collectively the "Resolution") authorizing issuance of the Mason County Public Service District Water Revenue Bonds, Series 1997 A, dated September 25, 1997, in the aggregate principal amount of \$1,440,000 and Mason County Public Service District Water Revenue Bonds, Series 1997 B, dated September 25, 1997, in the aggregate principal amount of \$818,000 (the "Bonds") and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in said Resolution.

WITNESS my signature as of this 25th day of September, 1997.

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By: 

J. Scott Sperry, Senior Vice President

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION
AND DELIVERY OF THE BONDS

September 25, 1997

Bank One, West Virginia National Association
707 Virginia Street, East
Charleston, WV 25324-1113

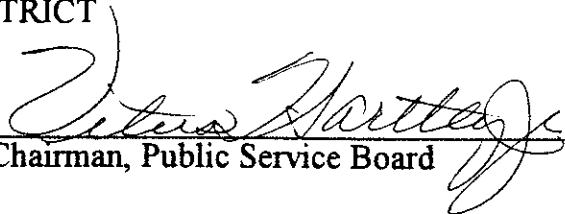
Ladies and Gentlemen:

We herewith hand to you, duly executed (a) \$1,440,000 Mason County Public Service District Water Revenue Bonds, Series 1997 A, in the form of one bond numbered AR-1, and (b) \$818,000 Mason County Public Service District Water Revenue Bonds, Series 1997 B, in the form of one bond numbered BR-1 (collectively, the "Bonds"), authorized to be issued under and pursuant to the Bond Resolution, duly adopted by the Public Service Board (the "Board") of Mason County Public Service District (the "District") on September 25, 1997, and a Supplemental Resolution adopted by the Board on September 25, 1997 (collectively, the "Resolution").

You are hereby requested and authorized to register, authenticate and deliver the Series 1997 A Bonds on behalf of the District to Rural Utilities Service and the Series 1997 B Bonds on behalf of the District to the West Virginia Water Development Authority.

MASON COUNTY PUBLIC SERVICE
DISTRICT

By:


Chairman, Public Service Board

(SEAL)

Attest:


Secretary, Public Service Board

MASON COUNTY PUBLIC SERVICE DISTRICT
\$1,440,000 Water Revenue Bonds, Series 1997 A and
\$818,000 Water Revenue Bonds, Series 1997 B

CERTIFICATE OF REGISTRATION OF BONDS

I, J. Scott Sperry, Senior Vice President of Bank One, West Virginia, National Association, Charleston, West Virginia, as Registrar under the Bond Resolution (the "Resolution") providing for the Mason County Public Service District (the "Issuer") Water Revenue Bonds, Series 1997 A, in the aggregate principal amount of \$1,440,000 and Water Revenue Bonds, Series 1997 B, in the aggregate principal amount of \$818,000, hereby certify that on the 25th day of September, 1997, the fully registered Series 1997 A Bonds of the Issuer in the principal amount of \$1,440,000 (the "Series 1997 A Bonds") numbered AR-1 and dated as of the date hereof were registered as to principal and interest in the name of "United States of America" and the fully registered Series 1997 B Bonds of the Issuer in the principal amount of \$818,000 (the "Series 1997 B Bonds") numbered BR-1 and dated as of the date hereof were registered as to principal and interest in the name of the "West Virginia Water Development Authority," respectively, in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of the Bank One, West Virginia, National Association, as Registrar.

WITNESS my signature as of this 25th day of September, 1997.

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By: 
J. Scott Sperry, Senior Vice President

MASON COUNTY PUBLIC SERVICE DISTRICT

\$1,440,000 Water Revenue Bonds, Series 1997 A

RECEIPT FOR BOND NO. R-1

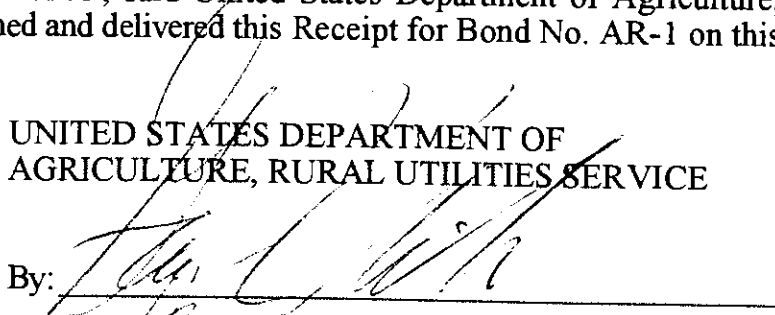
The undersigned, on behalf of the United States Department of Agriculture, Rural Utilities Service certifies as follows:

1. On the 25th day of September, 1997, in Point Pleasant, West Virginia, the undersigned received for and on behalf of the United States Department of Agriculture, Rural Utilities Service the entire amount of the Mason County Public Service District Water Revenue Bonds, Series 1997 A (the "Series 1997 A Bond"), of the Mason County Public Service District (the "Issuer"), authorized to be issued by a Bond Resolution adopted by the Public Service Board on the 25th day of September, 1997, and a Supplemental Resolution adopted on September 25, 1997 (collectively the "Resolution"), dated the 25th day of September, 1997; and issued in the form of one bond in the principal amount of \$1,440,000, fully registered to the United States of America, and numbered AR-1. The Series 1997 A Bond bears interest at the rate of four and 875/1000 percent (4.875%) per annum, payable in monthly installments on the amounts advanced thereunder, commencing the 25th day of the month following the month of delivery of the Bond and continuing on the corresponding day of each month for the first 24 months from the date of the Series 1997 A Bond, and thereafter in installments of \$6,956 covering principal and interest on the Bonds, on said corresponding day of each month, the final installment on the Bond shall be paid at the end of forty years from the date of the Bond, in the sum of the unpaid principal and interest due on the date thereof. The Series 1997 A Bond represents the entire principal amount of the Series 1997 A Bond.

2. At the time of such receipt of said Series 1997 A Bond, it had been executed by Vitus Hartley, Jr., as Chairman of the Issuer, by manual signature, and attested by Mary Smith, as Secretary of the Issuer, by manual signature, and the official seal of said Issuer had been impressed upon said Series 1997 A Bond.

IN WITNESS WHEREOF, said United States Department of Agriculture, Rural Utilities Service has duly signed and delivered this Receipt for Bond No. AR-1 on this 25th day of September, 1997.

UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE

By: 

Its: Rural Utilities Specialist

MASON COUNTY PUBLIC SERVICE DISTRICT

\$818,000 Water Revenue Bonds, Series 1997 B

RECEIPT FOR BONDS

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

1. On the 25th day of September, 1997, the Authority received (a) the entire original issue of \$818,000 in aggregate principal amount of Mason County Public Service District Water Revenue Bonds, Series 1997 B (the "Bonds"), said Bonds being dated the 25th day of September, 1997; and issued in the form of one bond, fully registered to the Authority, and numbered BR-1.

2. At the time of receipt of such Bonds, it had been executed by Vitus Hartley, Jr., as Chairman of the Public Service Board of the District, by manual signature, and attested by Mary Smith, as Secretary of the Public Service Board of the District, by manual signature, and the official seal of said District had been impressed upon each Bond.

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

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B Meadows
Barbara B. Meadows
Secretary-Treasurer

MASON COUNTY PUBLIC SERVICE DISTRICT

\$1,440,000 Water Revenue Bonds, Series 1997 A

RECEIPT OF FUNDS

I, the undersigned representative of the Bank One, West Virginia, National Association, at Point Pleasant, West Virginia (the "Depository Bank"), hereby certify that the Depository Bank has received on the date hereof from the United States Department of Agriculture, Rural Utilities Service, in the sum of \$195,000 as a partial advance on the Mason County Public Service District, Water Revenue Bonds, Series 1997 A being more than a de minimus amount of the purchase price of said bonds, the remainder is to be advanced from time to time up to \$1,440,000.

Dated this 25th day of September, 1997.

BANK ONE, WEST VIRGINIA, NATIONAL
ASSOCIATION

By: Barbara H. Fooden
Its: Assistant Branch Manager

MASON COUNTY PUBLIC SERVICE DISTRICT

3.8(b)

\$818,000 Water Revenue Bonds, Series 1997 B

RECEIPT FOR BOND PROCEEDS

The undersigned, Vitus Hartley, Jr., Chairman of the Public Service Board of the Mason County Public Service District (the "District"), hereby certifies as follows:

1. The District has received and hereby acknowledges receipt from the West Virginia Water Development Authority (the "Authority"), as original purchaser of the Mason County Public Service District Water Revenue Bonds, Series 1997 B, \$87,593, being more than a de minimus amount of the purchase price of said bonds, the remainder to be advanced from time to time up to \$818,000.

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

MASON COUNTY PUBLIC SERVICE
DISTRICT

By


CHAIRMAN, PUBLIC SERVICE BOARD

NUMBER
AR-1



UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
MASON COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1997 A

No. AR-1

SPECIMEN

\$1,440,000
September 25, 1997

United States of America
National Finance Office
1520 Market Street
St. Louis, Missouri 63103

FOR VALUE RECEIVED, the Mason County Public Service District, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia, in Mason County (herein called the "Borrower"), promises to pay to the order of the United States of America (herein called the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of One Million Four Hundred Forty Thousand Dollars (\$1,440,000) or such lesser amount as shall then be reflected on the Record of Advances and Payments attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of four and 875/1000 percent (4.875%) per annum. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and Payments and shall cease to accrue on the amount outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments.

The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing the twenty-fifth (25th) day of the month following the month of delivery of this Bond and on the twenty-fifth (25th) day of each month thereafter for the first

24 months after the date hereof, and thereafter on the twenty-fifth (25th) day of each month in installments of principal and interest in the aggregate amount of \$6,956, except the final installment shall be paid at the end of forty years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof and prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

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

Pre-payments of scheduled installments, or any portion thereof, may be made at any time at the option of the Borrower. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government. Borrower has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued to permanently finance a portion of the costs of acquisition and construction of certain extensions, additions and improvements to the existing system (the "Project" and together with any further extensions, additions, betterments and improvements thereto, herein called the "System"); and to pay certain issuance and related costs in connection therewith. This Bond is authorized and issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the Board of the Borrower on September 25, 1997, and supplemented by a Supplemental Resolution duly adopted by said Board on September 25, 1997 (collectively, the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER SYSTEM REVENUE BONDS, SERIES A, ISSUED IN THE PRINCIPAL AMOUNT OF \$1,100,000 (THE

"SPECIMEN"

"SERIES 1981 BONDS"), THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, ISSUED IN THE PRINCIPAL AMOUNT OF \$610,000 (THE "SERIES 1987 BONDS," AND COLLECTIVELY WITH THE SERIES 1981 BONDS, THE "PRIOR BONDS"), AND THE MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 B, ISSUED SIMULTANEOUSLY HERewith, IN THE PRINCIPAL AMOUNT OF \$818,000 (THE "SERIES 1997 B BONDS").

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, which lien is on a parity as to security and source of payment with the lien of the Series 1997 B Bonds and the Prior Bonds, moneys in the Reserve Account created under the Resolution (the "Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on this Bond, the Prior Bonds, the Series 1997 B Bonds, and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted to the Government for the Bonds as provided herein and in the Resolution and in the Prior Resolutions. This Bond does not constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provisions or limitations, nor shall said Borrower be obligated to pay the same or the interest hereon except from the Net Revenues derived from the operation of said System, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution, the Borrower has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the proper and reasonable expenses of operation, repair and maintenance of said System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on the Bonds, the Series 1997 B Bonds, the Prior Bonds and on all obligations secured by or payable from such revenues prior to or on a parity with the Bonds, provided however, that so long as the Series 1997 A Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 A Bonds, including the Prior Bonds and the Series 1997 B Bonds, is funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Borrower has entered into certain further covenants with the owner of this Bond for the terms of which reference is made to said Resolution. Remedies provided the owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of Bank One, West Virginia, National Association (the "Registrar") which shall be kept for that purpose at the office of the Registrar, by the owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a

"SPECIMEN"

written instrument of transfer satisfactory to the Registrar duly executed by the owner or its attorney or legal representative duly authorized in writing.

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

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

If at any time it so appears to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, Borrower will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Borrower, 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 of the Borrower has been pledged to and will be set aside into said special fund by the Borrower for the prompt payment of the principal of and interest on this Bond.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to

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

[Remainder of Page Intentionally Left Blank]

"SPECIMEN"

IN WITNESS WHEREOF, the Mason County Public Service District has caused this Bond to be signed by its Chairman and its seal to be hereunto impressed and attested by its Secretary, all as of the date first written above.

MASON COUNTY PUBLIC SERVICE DISTRICT


Chairman

[SEAL]

ATTEST:


Secretary

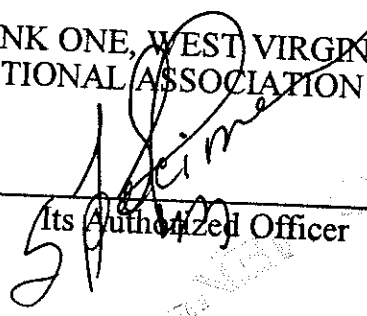
CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Mason County Public Service District Water Revenue Bonds, Series 1997 A described in the within-mentioned Resolution and has been duly registered in the name of the United States of America as of the date set forth below.

Date: September 25, 1997

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By


Its Authorized Officer

RECORD OF ADVANCES AND PAYMENTS

Advances

Date	Amount	Initialed By
(1) September 25, 1997	\$ 195,000	WFM
(2)	\$	
(3)	\$	
(4)	\$	
(5)	\$	
(6)	\$	
(7)	\$	
(8)	\$	
(9)	\$	
(10)	\$	

TOTAL: \$ _____

UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICEBy: _____
(Title)

RECORD OF ADVANCES AND PAYMENTS

Payments

Date	Amount	Initialed By
(1) _____	\$ _____	
(2) _____	\$ _____	
(3) _____	\$ _____	
(4) _____	\$ _____	
(5) _____	\$ _____	
(6) _____	\$ _____	
(7) _____	\$ _____	
(8) _____	\$ _____	
(9) _____	\$ _____	
(10) _____	\$ _____	

TOTAL: \$ _____

UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICEBy: _____
(Title)

[Form of Assignment]

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

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

Dated: _____, ____

"SPECIMEN"

In the presence of:

105518

BR-1



"SPECIMEN"

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
MASON COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1997 B

No. BR-1

\$818,000

KNOW ALL MEN BY THESE PRESENTS: That MASON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Mason County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of Eight Hundred Eighteen Thousand Dollars (\$818,000) or such lesser amount as is set forth on the Record of Advances, attached hereto as Exhibit A and incorporated herein by reference, in installments on the 1st day of March, the 1st day of June, the 1st day of September and the 1st day of December in each year beginning September 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of three percent (3%) per annum as set forth on said Exhibit B.

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

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

This Bond is issued in the original principal amount of \$818,000 (i) to pay a portion of the costs of acquisition and construction of certain improvements and

extensions to the existing waterworks system of the Issuer (the "Project" and together with any further extensions, additions, betterments and improvements thereto, herein called the "System"); and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on September 25, 1997 and a Supplemental Resolution duly adopted by the Issuer on September 25, 1997 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER SYSTEM REVENUE BONDS, SERIES A, ISSUED IN THE PRINCIPAL AMOUNT OF \$1,100,000 (THE "SERIES 1981 BONDS"), THE OUTSTANDING MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, ISSUED IN THE PRINCIPAL AMOUNT OF \$610,000 (THE "SERIES 1987 BONDS," AND COLLECTIVELY WITH THE SERIES 1981 BONDS, THE "PRIOR BONDS"), AND THE MASON COUNTY PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 A, ISSUED SIMULTANEOUSLY HERewith, IN THE PRINCIPAL AMOUNT OF \$1,440,000 (THE "SERIES 1997 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the lien of the Series 1997 A Bonds and the Prior Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1997 B Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on this Bond, the Prior Bonds, the Series 1997 A Bonds, and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted to the Authority for the Bonds as provided herein, in the Resolution and in the Prior Resolutions. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 B Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for

debt service on the Bonds, Series 1997 A Bonds, the Prior Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, provided however, that so long as the Series 1997 B Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 B Bonds, including the Series 1997 A Bonds and the Prior Bonds, is funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

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

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

BR-1

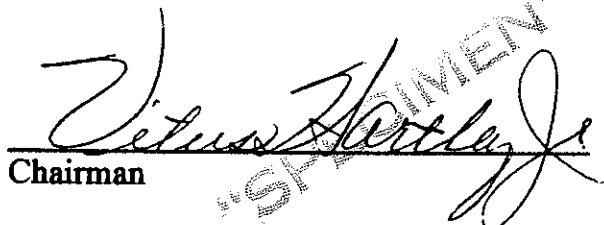
All provisions of the Resolution, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Left Blank]

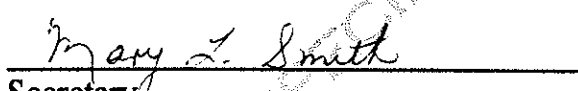
BR-1

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

[SEAL]


Chairman

ATTEST:


Secretary

(Form of)

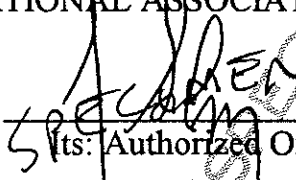
CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: September 25, 1997

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By


Its: Authorized Officer

BR-1

EXHIBIT A

RECORD OF ADVANCES

Amount		Date	Amount		Date
(1)	\$87,593.00	September 25, 1997	(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

Total \$ _____

"SPECIMEN"

"SPECIMEN"

SCHEDULE OF ANNUAL DEBT SERVICE

[illegible]

BR-1

(Form of)

ASSIGNMENT

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

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

Dated: _____, ____.

SPECIMEN

In the presence of:

105519



RURAL
UTILITIES
SERVICE

United States
Department of
Agriculture

Rural Development

Federal Building, Room 320
75 High Street
Morgantown, WV 26505-7500
TELEPHONE: (304) 291-4796
FAX: (304) 291-4032
TTY/TDD: (304) 284-5941

MASON COUNTY PUBLIC SERVICE DISTRICT

\$1,440,000 Water Revenue Bonds, Series 1997 A and
\$818,000 Water Revenue Bonds, Series 1997 B

CONSENT TO ISSUANCE OF PARITY BOND

United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), as the registered owner of all the Mason County Public Service District's (the "District") \$1,100,000 Water Revenue Bond, Series 1981, and the \$610,000 Water Revenue Bond, Series 1987 (collectively, the "Prior Bonds"), hereby consents to the issuance by the District of not more than \$1,440,000 in aggregate principal amount of Water Revenue Bonds, Series 1997 A (the "Series 1997 A Bonds") to be sold to the Government and the issuance of not more than \$818,000 in aggregate principal amount of Water Revenue Bonds, Series 1997 B (the "Series 1997 B Bonds") to be sold to the West Virginia Water Development Authority on a parity with the Prior Bonds.

WITNESS my signature this 23rd day of September, 1997.


ROBERT D. LEWIS
State Director
Rural Development

Rural Development is an Equal Opportunity Lender. Complaints of discrimination should be sent to: Secretary of Agriculture, Washington, DC 20250.



Kenneth E. Plants

3.9(b)

September 23, 1997

PUBLIC ACCOUNTANT
801 OAKBRIDGE DRIVE
HURRICANE, WEST VIRGINIA 25526
(304) 757-7110

ACCOUNTANT'S CERTIFICATE RE: COVERAGE

Mason County Public Service District
101 Camden Avenue
Point Pleasant, West Virginia 25550

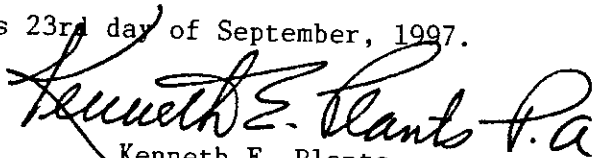
West Virginia Infrastructure & Jobs
Development Council
c/o West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

RE: Mason County Public Service District
\$1,440,000 Water Revenue Bonds, Series 1997 A &
\$818,000 Water Revenue Bonds, Series 1997 B

Ladies and Gentlemen:

I, Kenneth E. Plants, Public Accountant, have reviewed the water service rates of Mason County Public Service District (the "Issuer") which were set by the Public Service Commission of West Virginia. Based on the foregoing, it is my opinion that the rates are sufficient to provide funds, which along with other revenues of the System will (1) pay all operation and maintenance expenses and (2) leave a balance each fiscal year equal to at least 115% of the maximum amount required in any succeeding fiscal year for the payment of principal of and interest on the above-referenced Bonds and the Prior Bonds (as defined in the Bond Resolution and Supplemental Resolution adopted by the Issuer on September 25, 1997, and the Prior Resolution, as defined in the Resolution).

WITNESS my signature this 23rd day of September, 1997.


Kenneth E. Plants
Public Accountant

KEP:ngp

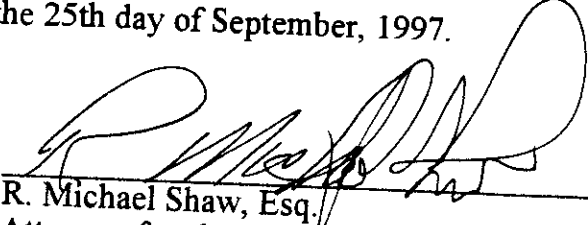
MASON COUNTY PUBLIC SERVICE DISTRICT
\$1,440,000 Water Revenue Bonds, Series 1997 A and
\$818,000 Water Revenue Bonds, Series 1997 B

CERTIFICATE OF NO LITIGATION

NO LITIGATION: As of the date hereof, no controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the above-referenced Bonds, the acquisition and construction of the Project, the operation of the System, the receipt of the Revenues, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Mason County Public Service District, taken with respect to the issuance or sale of the Bonds, the pledge or application of the Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition and construction of the Project, the operation of the System or such pledge or application of moneys and security or the collection of the Revenues or pledge thereof.

Capitalized terms used herein have the meaning set forth in the Bond Resolution of the Mason County Public Service District passed on September 25, 1997.

Given under my hand this the 25th day of September, 1997.



R. Michael Shaw, Esq.
Attorney for the Mason County Public Service
District

MASON COUNTY PUBLIC SERVICE DISTRICT**\$818,000 Water Revenue Bonds, Series 1997 B****CERTIFICATE AS TO NON-ARBITRAGE**

I, Vitus Hartley, Jr., Chairman of the Public Service Board of Mason County Public Service District, in Mason County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$818,000 aggregate principal amount of Water Revenue Bonds, Series 1997 B, dated September 25, 1997 (the "Series 1997 B Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986 and applicable regulations (the "Code"). I am one of the officers of the Issuer charged with the responsibility of issuing the Series 1997 B Bonds. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.
2. This certificate may be relied upon as the certificate of the Issuer.
3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer and certification of which may not be relied upon by holders of obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.
4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on September 25, 1997, the date on which the Series 1997 B Bonds are to be physically delivered in exchange for the proceeds representing more than a de minimus amount of the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.
5. In the Bond Resolution pursuant to which the Series 1997 B Bonds are issued, the Issuer has covenanted to make no use of the proceeds of the Series 1997 B Bonds which would cause the Series 1997 B Bonds to be "arbitrage bonds" within the meaning of the Code.
6. The Series 1997 B Bonds were sold on September 25, 1997, to the West Virginia Water Development Authority (the "Authority") acting on behalf of West Virginia Infrastructure and Jobs Development Council for an aggregate purchase price of \$818,000 (100% of the principal amount thereof). Only a portion of the proceeds of the Series 1997 B Bonds were delivered at closing with the remainder to be advanced from time to time to meet Project Costs. The Series 1997 B Bonds were sold simultaneously with the Issuer's

\$1,440,000 Water Revenue Bonds, Series 1997 A (the "Series 1997 A Bonds") which were sold to the Government and which are not treated as tax-exempt bonds for purposes of the Code.

7. The Series 1997 B Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain improvements and extensions to the existing waterworks system of the Issuer (the "Project") and (ii) paying costs of issuance and other costs in connection therewith.

8. Construction and acquisition of the Project will proceed with due diligence to completion. Construction of the Project is expected to be completed by April 14, 1998.

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

SOURCES

Series 1997 A Bonds	\$1,440,000
Series 1997 B Bonds	\$ <u>818,000</u>
Total Sources	\$2,258,000

USES

Construction Contracts	\$1,350,575
Technical Service	\$ 197,850
Legal and Fiscal	\$ 15,000
Administrative	\$ 5,000
Site and Other Lands	\$ 30,000
Step I or II or Other Loan Repayment	\$ 173,284
Interim Financing Costs	\$ 100,000
Contingency (General)	\$ 221,866
Contingency (Special)	\$ 157,425
Closing Costs	\$ <u>7,000</u>
Total Uses	\$2,258,000

Except for the Series 1997 A Bonds proceeds and proceeds of the Series 1997 B Bonds and as otherwise provided in the Resolution, no other funds of the Issuer will be available to meet the costs of the Project and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

10. Moneys held in the Series 1997 B Sinking Fund will be used solely to pay principal of and interest on the Series 1997 B Bonds and will not be available to meet

costs of construction of the Project. To the extent not required by the Resolution to be deposited in the Earnings Fund and the Rebate Fund, all investment earnings on moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account, will be placed in the Revenue Fund for use in accordance with the terms thereof and applied to the next payment of principal and interest on the Series 1997 B Bonds.

11. Except for the Sinking Fund and the Reserve Account therein, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Series 1997 B Bonds, or which are pledged as collateral for the Series 1997 B Bonds, and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Series 1997 B Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Renewal and Replacement Fund will be used or needed for payments upon the Series 1997 B Bonds. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts or other investment-type property producing a yield in excess of the yield on the Series 1997 B Bonds, have been or will be pledged to payment of the Series 1997 B Bonds. Less than 10% of the proceeds of the Series 1997 B Bonds will be deposited in the Reserve Account or any other reserve or replacement fund. The amounts deposited in the Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest on the Series 1997 B Bonds and will not exceed 125% of average annual principal and interest on the Series 1997 B Bonds. The amount in the Reserve Account, not to exceed 10% of the proceeds of the Series 1997 B Bonds, if invested, will be invested without yield limitation. The establishment of the Reserve Account is required by the Authority and is vital to its purchase of the Series 1997 B Bonds and is reasonably required to assure payments of debt service on the Series 1997 B Bonds.

12. The Issuer anticipates entering into contracts for the construction of the Project on September 25, 1997, and construction is underway.

13. Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within eight months.

14. The Issuer will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Series 1997 B Bonds to the Authority.

15. With the exception of the amounts deposited in the Sinking Fund, for payment of interest on the Series 1997 B Bonds and amounts deposited in the Reserve Account, if any, all of the proceeds of the Series 1997 B Bonds will be expended on the Project within 13 months from the date of issuance thereof.

16. Any money deposited in the Sinking Fund for payment of the principal and interest on the Series 1997 B Bonds (other than the Reserve Account therein) will be spent within a thirteen month period beginning on the date of receipt and any moneys

received from investment of amounts held in the Sinking Fund (other than the Reserve Account therein) will be spent within a one-year period beginning the date of receipt.

17. All the proceeds of the Series 1997 B Bonds which were used for the payment of costs of the Project will be expended for such purposes within three years of December 19, 1996.

18. The amount designated as cost of issuance of the Series 1997 B Bonds consists only of costs which are directly related to and necessary for the issuance of the Series 1997 B Bonds.

19. All property financed with the proceeds of the Series 1997 B Bonds will be held for Federal income tax purposes by (or on behalf of) a qualified governmental unit.

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

21. No more than 10% of the proceeds of the Series 1997 B Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than 5% of the proceeds of the Series 1997 B Bonds have been or will be used to make or finance loans to, any person who is not a governmental unit.

22. The original proceeds of the Series 1997 B Bonds will not exceed the amount necessary for the purposes of issue.

23. The Issuer shall use the proceeds of the Series 1997 B Bonds solely for the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

24. The Issuer shall not permit at any time or times any of the proceeds of the Series 1997 B Bonds, or any other funds of the Issuer, to be used directly or indirectly in a manner which would result in the exclusion of Series 1997 B Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Series 1997 B Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions and refrain from taking such actions as shall be necessary to comply with the Code in order to ensure the interest on the Series 1997 B Bonds is excludable from gross income for federal income tax purposes.

25. The Series 1997 B Bonds, in whole or in part, are not and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

26. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and obtain a

waiver from the Internal Revenue Service in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 1997 B Bonds.

27. The Issuer has retained the right to amend or supplement its authorizing documents if such amendment or supplement is necessary to preserve the exclusion from gross income for federal income tax purposes of the Series 1997 B Bonds.

28. The Issuer shall comply with the yield restriction on the proceeds of the Series 1997 B Bonds as set forth in the Code.

29. The Issuer has either (a) funded the Reserve Account at the maximum amount of principal and interest which will mature and become due on the Series 1997 B Bonds in the then current or any succeeding year with the proceeds of the Series 1997 B Bonds, or (b) created the Reserve Account which will be funded with equal payments on a monthly basis over a 10 year period until such Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on each Series of Bonds in the then current or any succeeding year. Moneys in the Reserve Account and the Sinking Fund (established for the annual payment of principal and interest) will be used solely to pay principal of and interest on the Series 1997 B Bonds and will not be available to pay costs of the Project.

30. The Issuer shall submit to the Authority within 30 days following the end of the Issuer's bond year a certified copy of its rebate calculation or if the Issuer qualifies for an exception to rebate, then the Issuer shall submit to the Authority a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Series 1997 B Bonds subject to rebate.

31. The Issuer expects that no part of the Project financed by the Series 1997 B Bonds will be sold or otherwise disposed of prior to the last maturity date of the Series 1997 B Bonds.

32. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Series 1997 B Bonds.

33. Jackson & Kelly is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Series 1997 B Bonds.

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

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

MASON COUNTY PUBLIC SERVICE
DISTRICT

By


Chairman, Public Service Board

52566

WV MUNICIPAL BOND COMMISSION

Suite 300 - L & S Building

812 Quarrier Street, Charleston, WV 25301

(304) 348-3971

NEW ISSUE REPORT FORM

Date of Report: September 25, 1997

ISSUE: \$818,000 Mason County Public Service District Water Revenue Bonds, Series 1997BADDRESS: 101 Camden Avenue, Pt. Pleasant WV 25550 COUNTY: MasonPURPOSE OF ISSUE: New Money XRefunding Refunds issue(s) dated: ISSUE DATE: September 25, 1997 CLOSING DATE: September 25, 1997ISSUE AMOUNT: \$818,000 RATE: 3%1st DEBT SERVICE DUE: September 1, 1998 1st PRINCIPAL DUE: September 1, 19981st DEBT SERVICE AMOUNT: \$ 8,883.64 PAYING AGENT: WV Municipal Bond
Commission**ISSUERS**BOND COUNSEL: Jackson & KellyContact Person: Samme L. Gee, EsquirePhone: (304) 340-1318**(DEPOSITORY)**CLOSING BANK: Bank One, WV, N.A.Contact Person: Mr. Liberatore, Ex VPPhone: (304) 675-4480**UNDERWRITERS**BOND COUNSEL: Contact Person: Phone: ESCROW TRUSTEE: Contact Person: Phone: KNOWLEDGEABLE ISSUER CONTACT: OTHER: Bank One, WV, N.A. (Registrar)Contact Person: Randy GrinstedPosition: ManagerPhone: (304) 675-6399Contact Person: Mike PuskarFunction: RegistrarPhone: (304) 348-4429DEPOSITS TO MBC AT CLOSE: Accrued Interest: \$ Capitalized Interest: \$ By Wire Reserve Account: \$ Check Other: \$ **REFUNDS & TRANSFERS BY MBC AT CLOSE:**By Wire To Escrow Trustee: \$ Check To Issuer: \$ IGT To Cons.Invest.Fund \$ To Other: \$ NOTES: **FOR MUNICIPAL BOND COMMISSION USE ONLY:**Documents Required: Transfers Required:

JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

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MARTINSBURG, WEST VIRGINIA 25402
TELEPHONE 304-263-8800

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

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

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

1000 TECHNOLOGY DRIVE
FAIRMONT, WEST VIRGINIA 26554
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1144 MARKET STREET
WHEELING, WEST VIRGINIA 26003
TELEPHONE 304-233-4000

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

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

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

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

September 25, 1997

Mason County Public Service District
101 Camden Avenue
Point Pleasant, West Virginia 25550

4.1(a)

United States of America
United States Department of
Agriculture, Rural Utilities Service
P.O. Box 303
Parkersburg, West Virginia 26102

Re: Mason County Public Service District
\$1,440,000 Water Revenue Bonds, Series 1997 A

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the Water Revenue Bonds, Series 1997 A of Mason County Public Service District (the "Issuer"), to be dated as of the date of delivery thereof, and to be numbered AR-1. The Series 1997 A Bond shall be in the stated principal amount of \$1,440,000 (the "Bonds"), and the Bonds shall bear interest from the date of delivery, on the amount advanced thereunder, at the rate of four and 875/1000 percent (4.875%) per annum.

The Bonds will be issued pursuant to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and have been authorized by a Resolution duly adopted by the Public Service Board on the 25th day of September, 1997, as supplemented by a Supplemental Resolution adopted by the Issuer on the 25th day of September, 1997 (collectively, the "Bond Resolution"). The Bond Resolution and the Bonds provide that the Bonds are issued for the purpose of permanently financing a portion of the costs of acquisition and construction of extensions, additions, betterments and improvements (the "Project") to the existing water system of the Issuer (the "System"). In addition, we have reviewed the Letter of Conditions as supplemented and such other opinions and documents as we deemed necessary to issue this opinion. Capitalized terms not defined herein shall have the meanings set forth in the Bond Resolution.

Based on the foregoing, we are of the opinion as follows:

1. The Issuer is a duly created and presently existing public service district and is a public corporation and a political subdivision of the State of West Virginia with full power and authority to construct, acquire, operate and maintain the Project and the System and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its Public Service Board, has legally and effectively adopted the Bond Resolution and other resolutions in connection with the Bonds.

3. The Bonds, when issued, subject to the terms thereof, will constitute valid and legally enforceable special obligations of the Issuer, and payable solely from a parity lien on and pledge of the Net Revenues of the System, all in accordance with the terms of the Bonds and the Bond Resolution.

4. The Bonds will be on a parity as to lien on and source of and security for payment from said Net Revenues and as to said statutory mortgage lien with the Issuer's Water System Revenue Bond, Series 1981, the Issuer's Water System Revenue Bonds, Series 1987 (collectively, the "Prior Bonds") and the Issuer's \$818,000 Water Revenue Bonds, Series 1997 B, issued simultaneously herewith (the "Series 1997 B Bonds"). The Issuer has reserved the right to issue additional bonds ranking on a parity with the Bonds upon certain conditions in the Bond Resolution. The Issuer has certified, and an independent certified public accountant has verified that the rates and charges for the use of and service rendered by the System are sufficient to pay all Operating Expenses (as defined in the Bond Resolution) of the System and to pay the principal of and interest on the Bonds, the Series 1997 B Bonds and the Prior Bonds, when due. The Bond Resolution requires that such schedule of rates and charges be changed and readjusted when necessary so that the aggregate of such rates and charges will be sufficient for such purposes.

5. Under the Act, the Bonds and the interest thereon are exempt from all taxation by the State of West Virginia and the other taxing bodies of the State.

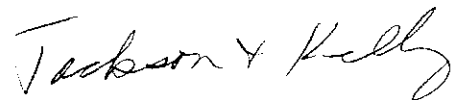
No opinion is given here as to the effect upon the enforceability of the Bonds under any applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights or the exercise of judicial discretion or principles of equity in appropriate cases.

Mason County Public Service District
United States Department of
Agriculture, Rural Utilities Service
September 25, 1997
Page 3

This opinion is qualified to the extent that a portion of the proceeds of the Bonds will be paid to the Issuer upon the delivery thereof and the remaining portion of the proceeds of the Bonds will be advanced to the Issuer as requested by the Issuer and approved by the United States Department of Agriculture, Rural Utilities Service; and, accordingly, the Bonds will evidence only the indebtedness recorded on the Record of Advances and Payments incorporated therein and bear interest only on each advancement from the date thereof as recorded on said Record of Advances and Payments.

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

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jackson & Kelly".

JACKSON & KELLY
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than 120 independent law firms*

September 25, 1997

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

4.1(b)

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

**Public Service Board
Mason County Public Service District
101 Camden Avenue
Point Pleasant, West Virginia 25550**

**Re: Mason County Public Service District
\$818,000 Water Revenue Bonds, Series 1997 B**

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated September 25, 1997, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") acting on behalf of the West Virginia Infrastructure and Jobs Development Council, and (ii) the issue of the Mason County Public Service District Water Revenue Bonds, Series 1997 B of the Governmental Agency, dated September 25, 1997 (the "Bonds") to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are in the principal amount of \$818,000, issued in the form of one bond registered as to principal and interest to the Authority, with interest and principal payable in installments on September 1,

West Virginia Infrastructure and Jobs Development Council
West Virginia Water Development Authority
Mason County Public Service District
September 25, 1997
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December 1, March 1 and June 1 of each year, beginning September 1, 1998, at the rate as set forth in Exhibit A incorporated in and made a part of the Bonds. The Bonds are on a parity as to security and source of payment with the Governmental Agency's Prior Bonds as defined in the Local Act and the Issuer's \$1,440,000 Water Revenue Bonds, Series 1997 A, issued simultaneously herewith (the "Series 1997 A Bonds").

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

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Bonds have been authorized by a bond resolution and a supplemental resolution both duly adopted by the Governmental Agency on September 25, 1997 (collectively the "Local Act"), pursuant to and under which Local Statute and Local Act the Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement. Capitalized terms not defined herein shall have the meanings set forth in the Local Act.

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

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

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

2. The Loan Agreement inures to the benefit of the Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, and cannot be

amended so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Governmental Agency without the consent of the Authority and the Council.

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

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

5. The Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the Net Revenues of the System referred to in the Local Act and are secured by a first lien on and pledge of the Net Revenues of said System on a parity as to security and source of payment with the Prior Bonds and the Series 1997 A Bonds, all in accordance with the terms of the Bonds and the Local Act, and have been duly issued and delivered to the Authority. The Governmental Agency has received the prior written consent of the Prior Bonds holders for the issuance of the Bonds as first lien parity bonds.

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

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

West Virginia Infrastructure and Jobs Development Council
West Virginia Water Development Authority
Mason County Public Service District
September 25, 1997
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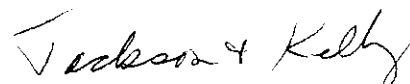
federal income tax purposes. The Governmental Agency has covenanted to comply with all such requirements. Failure to comply with such certifications, covenants, representations and requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences with respect to the Bonds.

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

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

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

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jackson & Kelly".