Northern Wayne County Public Service District

$2,354,914 Sewerage System Revenue Bonds,
Series 1989 A

$349,086 Subordinate Sewerage System Revenue
Bonds, Series 1989

Closing: March 16, 1989

(a)

WDA-5
(March 1988)

LOAN AGREEMENT

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

Northern Wayne County Public Service District
(Name of Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

ARTICLE I

Definitions

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed

and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds is outstanding, business interruption insurance if available at a reasonable cost.

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

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

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

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not execute this Loan Agreement unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available. The Governmental Agency further specifically recognizes that during the last 90 days of a period to originate Loans from its water development revenue bond proceeds, the Authority may execute Loan Agreements, commit moneys and close Local Bond sales in such order and manner as it deems in the best interest of the Program.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

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

(b) Covenants substantially as follows:

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

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

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

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

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%)

of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

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

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Governmental
Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal 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 and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement;

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

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

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

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

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

(xvii) That the Governmental Agency shall take any and all action, or shall refrain from taking any action, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for Federal income tax purposes of interest on the Authority's water development revenue bonds.

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

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

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

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

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

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

4.7 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

ARTICLE V

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

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

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

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of

loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

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

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

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

6.6 Notwithstanding Section 6.5, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

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

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

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

(ii) termination by the Authority pursuant to Section 6.3 hereof; or

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

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

Northern Wayne County Public Service District
[Proper Name of Governmental Agency]

(SEAL)

By Herman E. Wellman
Its Chairman

Attest:

Date: March 16, 1989

Steven L Thorpe
Its Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By Daniel B. Yurkosky
Director

Attest:

Daniel B. Yurkosky
Secretary-Treasurer

Date: March 16, 1989

EXHIBIT A

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

We are bond counsel to _____ (the "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 payable April 1 and October 1 of each year, beginning _____ 1, 19___, at the respective rate or rates and with principal payable in installments on October 1 in each of the years, all as follows:

Year	Installment	Interest Rate

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. 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,

(b)

WDA-Supp. 5
(March 1988)

SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

Northern Wayne County Public Service District
(Name of Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

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

ARTICLE I

Definitions; Loan Agreement

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

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

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

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

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

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

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

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

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

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

ARTICLE III

Conditions to Supplemental Loan; Issuance of Supplemental Bonds

3.1 The agreement of the Authority to make the Supplemental Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Supplemental Bonds, which shall be the

date established pursuant to Section 3.4 of the Loan Agreement for delivery of the Local Bonds. Said conditions precedent are as follows:

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

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

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

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Supplemental Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such

rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

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

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

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

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

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

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

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

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Supplemental Loan, authorize the issuance of and issue the Supplemental Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

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

(b) Covenants substantially as follows:

(i) That the Supplemental Bonds shall be secured by the gross or net revenues from the System, as more fully set forth in Schedules X and Y attached hereto, subject to the prior and senior security therefrom granted to the Local Bonds;

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

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

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

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

the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Supplemental Bonds and parity bonds theretofore and then being issued and on the Local Bonds and any other obligations secured by a lien on or payable from the revenues of the System prior to the Supplemental Bonds; provided, however, that additional parity Local Bonds and additional parity Supplemental Bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Supplemental Loan Agreement;.

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

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

(xiv) That the proceeds of the Supplemental Bonds, except any proceeds deposited in the Reserve Account or the Supplemental Reserve Account, must be deposited in a construction fund on which the owners of the Supplemental Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs); provided, that said construction fund may be the one established for the Local Bonds, which shall have a prior and senior lien thereon, but shall otherwise be kept separate and apart from all other funds of the Governmental Agency; and

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

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

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

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

4.4 The Supplemental Loan shall not bear interest.

4.5 The Supplemental Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

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

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

ARTICLE V

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

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

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds and the Supplemental Bonds shall prove to be insufficient to produce the minimum sums set

forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Supplemental Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the rate of five percent (5%) per annum, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

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

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

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

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

7.8 This Supplemental Loan Agreement shall terminate upon the earlier of:

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

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

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

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

Northern Wayne County Public Service District
[Proper Name of Governmental Agency]

(SEAL)

By Herman E. Wellman
Its Chairman

Attest:

Date: March 16, 1989

Steven L Thompson
Its Secretary

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By Daniel B. Yankosky
Director

Attest:

Date: March 16, 1989

Daniel B. Yankosky
Secretary-Treasurer

EXHIBIT A

LOAN AGREEMENT

Date:

Principal Amount of Local Bonds: $2,354,914

. EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

We are bond counsel to _____ (the "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 "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of a series of supplemental, subordinate revenue bonds of the Governmental Agency, dated _____, 19__ (the "Supplemental Bonds"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are in the principal amount of $_____, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years, as follows:

Year	Installment

The Supplemental Loan Agreement is supplemental to a loan agreement dated _____, _____, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement (the "Local Bonds"), which Local Bonds are issued simultaneously herewith.

The Supplemental Bonds are issued, together with the Local Bonds, 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 Supplemental Bonds are authorized and issued, and the Supplemental Loan Agreement that has been undertaken. The Supplemental 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 Supplemental Loan Agreement.

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

1. The Supplemental Loan Agreement has been duly authorized by and executed 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 Supplemental Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the 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 Supplemental Loan Agreement and to issue and sell the Supplemental 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 Supplemental Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement.

5. The Supplemental 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 lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Supplemental Bonds and the Local Act, and have been duly issued and delivered to the Authority. Said lien and pledge are junior, subordinate and inferior to that created for the Local Bonds [and _____].

6. The Supplemental Bonds are, by statute, exempt

No opinion is given herein as to the effect upon enforceability of the Supplemental 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 Supplemental Bond numbered SR-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM BOND ANTICIPATION NOTES, WEST VIRGINIA WATER DEVELOPMENT AUTHORITY SERIES, SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A; SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989; SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1989; AND SEWERAGE SYSTEM GRANT ANTICIPATION NOTES, SERIES 1989

BOND AND NOTE RESOLUTION

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM BOND ANTICIPATION NOTES, WEST VIRGINIA WATER DEVELOPMENT AUTHORITY SERIES, SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A; SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989; SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1989; AND SEWERAGE SYSTEM GRANT ANTICIPATION NOTES, SERIES 1989

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NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

BOND AND NOTE RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWER FACILITIES OF NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,700,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, AND NOT MORE THAN $800,000 IN AGGREGATE PRINCIPAL AMOUNT OF SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989, AND PENDING THE ISSUANCE THEREOF THE ISSUANCE OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM BOND ANTICIPATION NOTES, WEST VIRGINIA WATER DEVELOPMENT AUTHORITY SERIES AND, PENDING THE ISSUANCE OF BONDS TO OR RECEIPT OF BOND PROCEEDS FROM THE UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION, AND THE RECEIPT OF CERTAIN GRANT RECEIPTS, RESPECTIVELY, THE ISSUANCE OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1989, AND NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF A PROMISSORY NOTE TO THE COUNTY COMMISSION OF WAYNE COUNTY OR SEWERAGE SYSTEM GRANT ANTICIPATION NOTES, SERIES 1989; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS AND NOTES, 1NCLUDING A LETTER OF CREDIT IN AN AMOUNT NOT TO EXCEED $800,000 FOR SAID GRANT ANTICIPATION NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING SAID BOND ANTICIPATION NOTES; AUTHORIZING EXECUTION AND DELIVERY OF AN INTERGOVERNMENTAL AGREEMENT, LOAN AGREEMENT AND TRUST INDENTURE IN CONNECTION WITH SAID PROMISSORY NOTE; APPROVING AND RATIFYING A LOAN AGREEMENT, SUPPLEMENTAL LOAN AGREEMENT AND AUTHORITY BANS LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BOND ANTICIPATION NOTES AND BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS AND NOTES; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF NORTHERN WAYNE 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:

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

"Agreement" means the Intergovernmental Agreement, Loan Agreement and Trust Indenture which may be entered into among the County, the Issuer and the Trustee relating to the GANs to be issued by the County and all supplements or amendments thereto, in substantially the form attached as Exhibit A hereto and incorporated herein by reference, or, if provided by the Supplemental Resolution, a trust indenture relating to the GANs to be issued by the Issuer, and all supplements and amendments thereto.

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

"Authority BANs" means not more than $3,500,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series, originally authorized hereby.

"Authority BANs Reserve Account" means the Authority BANs Reserve Account established in the Authority BANs Sinking Fund pursuant to Section 5.02

"Authority BANs Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due under the Authority BANs in the then current or any succeeding year.

"Authority BANs Sinking Fund" means the Authority BANs Sinking Fund established by Section 5.02.

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

"BANs" or "BAN" means the not more than $2,000,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, Series 1989, originally authorized hereby.

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

"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 not more than $2,700,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 A originally authorized hereby or the not more than $800,000 in aggregate principal amount of Subordinate Sewerage System Revenue Bonds, Series 1989 originally authorized hereby, or both, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution and where applicable means the Authority BANs outstanding until the issuance of the Bonds.

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

"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 or the Authority BANs for the proceeds representing the purchase of the Bonds or the Authority BANs by the Authority.

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

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

"Consulting Engineers" means Regula Engineering, Inc., Huntington, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage 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 1.03E hereof to be a part of the cost of construction and acquisition of the Project.

"County" means The County Commission of Wayne County, a public corporation acting for and on behalf of Wayne County, West Virginia, a political subdivision of the State.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1989 A 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.

"Eligible Costs" means Costs of the Project which are reimbursable in full on a dollar-for-dollar basis from proceeds of the EPA Grant, the total of which are equal in amount to the EPA Grant.

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

"EPA Grant" means the grant from the EPA pursuant to the agreement dated June 29, 1984, as amended on April 4, 1987, and as hereafter supplemented and amended.

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

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 1989 A 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 1989 A Bonds, plus

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

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

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

"FmHA" means the United States Department of Agriculture, Farmers Home Administration.

"FmHA Bonds" means the $1,950,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 B, to be issued on a parity with the Authority BANs or Series 1989 A Bonds, as the case may be, pursuant to a resolution enacted concurrently herewith.

"FmHA Resolution" means the resolution enacted concurrently herewith authorizing the FmHA Bonds.

"GANs" or "GAN" means the not more than $2,000,000 in aggregate principal amount of a promissory note to the County or, if provided by the Supplemental Resolution, Sewerage System Grant Anticipation Notes, Series 1989, originally authorized hereby.

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

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

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

"Grant Receipts" means all moneys received by the Issuer on account of any Grant subsequent to the issuance of the GANs.

"Grants" means, collectively, the EPA Grant and any Other Grants.

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

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 1989 A 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 1989 A 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 1989 A 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 1989 A Bonds ratably as original proceeds of the Series 1989 A 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 1989 A 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 1989 A Bonds Reserve Account 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 1989 A Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1989 A 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, 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 8.01) or any Tap Fees.

"Indenture" or "Trust Indenture" means the Trust Indenture which may be entered into between the Issuer and the Trustee relating to the BANs and all supplements or amendments thereto, in substantially the form attached as Exhibit B hereto and incorporated herein by reference.

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

"Investment Property" means any security [as said term is defined in Section 165(g)(2)(A) or (B) of the Code], obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

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

"Loan Agreement" means, collectively, the Authority BANs Loan Agreement, Loan Agreement and the Supplemental Loan Agreement to be entered into between the Authority and the Issuer, pursuant to which the Authority shall agree, subject to the Issuer's satisfying certain engineering, legal and other requirements, to purchase the Bonds originally authorized hereby, in substantially the forms respectively attached as Exhibits C, D and E hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Series 1989 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1989 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1989 A 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 any Investment Property which is acquired with the Gross Proceeds of the Series 1989 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 1989 A Bonds.

"Notes" means the BANs and the GANs, or either thereof as the context may require.

"Noteholders," "Holder of the BANs" or "Holder of the GANs," as the case may be, "Holder," "Registered Owner," "Owner," or any similar term means the person, whenever used herein with respect to an Outstanding Note, in whose name such BAN or GAN, as the case may be, is registered.

"Notes Registrar" means the bank to be designated as such in the Indenture, the Agreement or the Supplemental Resolution and its successors or assigns.

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

"Original BANs Purchaser" means such person or persons, firm or firms, bank or banks, corporation or corporations, or such other entity or entities as shall purchase the BANs directly from the Issuer, as determined by the Supplemental Resolution; provided that such purchaser or purchasers and the Issuer shall agree to the purchase of the BANs, including the exact principal amount thereof and interest rate or rates thereon as fixed by the Supplemental Resolution to be adopted by the Board at the time of approval of sale of said BANs, with the sale price thereof to be not less than a price such that the interest cost of the proceeds therefrom, computed according to standard tables of bond values, does not exceed that allowed under the Act and other applicable provisions of law.

"Other Grants" means, collectively, all grants other than the EPA Grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds, BANs or GANs, and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered or all BANs or GANs, as the case may be, theretofore and thereupon being authenticated and delivered except (i) any Bond, BAN or GAN cancelled by the Bond Registrar, or Notes Registrar, at or prior to said date; (ii) any Bond, BAN or GAN 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 or under the Indenture or Agreement, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond, BAN or GAN deemed to have been paid as provided in Article X hereof or as provided in the Indenture or Agreement, as

applicable; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or Noteholders, any Bonds, BANs or GANs registered to the Issuer.

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

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds and/or the BANs or GANs or the Authority BANs in the Indenture, the Agreement or the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

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

"Project" means the acquisition and construction of the sewer facilities substantially as described in Exhibit E attached hereto and incorporated herein by reference.

"Purchase Price," for the purpose of computation of the Yield of the Series 1989 A Bonds, has the same meaning as the term "Issue Price" in Sections 1273(b) and 1274 of the Code and, in general, means the initial offering price of the Series 1989 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series 1989 A Bonds of each maturity is sold or, if the Series 1989 A Bonds are privately placed, the price paid by the first buyer of the Series 1989 A 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 1989 A Bonds for

acquisition thereof or, if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1989 A Bonds.

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

"PSC Order" means the final order of the PSC in Case No. 87-568-S-CN, which was entered by the Administrative Law Judge on November 23, 1988, and became a final order on December 7, 1988, as supplemented by the final order of the PSC entered on January 13, 1989.

"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, 1931, as amended; and

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

"Registrar" means, as appropriate, either the Bond Registrar or the Notes Registrar or both.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01.

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

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

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

"Series 1989 A Bonds" means the not more than $2,700,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 A, of the Issuer originally authorized hereby and where applicable the Authority BANs pending the issuance of the Series 1989 A Bonds.

"Series 1989 A Bonds Reserve Account" means the Series 1989 A Bonds Reserve Account established in the Series 1989 A Bonds Sinking Fund pursuant to Section 5.02.

"Series 1989 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1989 A Bonds in the then current or any succeeding year.

"Series 1989 A Bonds Sinking Fund" means the Series 1989 A Bonds Sinking Fund established by Section 5.02.

"State" means the State of West Virginia.

"Subordinate Bonds" means the not more than $800,000 in aggregate principal amount of Subordinate Sewerage System Revenue Bonds, Series 1989, of the Issuer originally authorized hereby.

"Subordinate Bonds Reserve Account" means the Subordinate Bonds Reserve Account established in the Subordinate Bonds Sinking Fund pursuant to Section 5.02.

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

"Subordinate Bonds Sinking Fund" means the Subordinate Bonds Sinking Fund established by Section 5.02.

"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 or resolutions authorizing the sale of the BANs, the Authority BANs, the GANs or the Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the BANs, the Authority BANs, the GANs or the Bonds, as the case may be, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution or the FmHA Resolution to be set aside and held for the payment of or security for the Bonds, the FmHA Bonds, the BANs, the Authority BANs or any other obligations of the Issuer, including the Renewal and Replacement Fund and the reserve accounts on account of the Bonds and the FmHA Bonds, the proceeds of which Bonds, FmHA Bonds, BANs or other obligations are to be used to pay Costs of the Project.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

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

"Trustee" means the banking institution or institutions designated as trustee for the Noteholders under the Indenture or the Agreement, as the case may be, if any, its successors and assigns.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 1989 A Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

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

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

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

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

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

A. The Issuer is a public corporation and political subdivision of the State in Wayne County, West Virginia.

B. The Issuer does not presently own or operate a public sewage treatment, collection or transportation system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain sewer facilities of the Issuer, consisting of the Project at an estimated cost of $12,530,320, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to enter into an agreement with the City of Huntington, West Virginia (the "City"), and the Sanitary Board thereof, for the treatment, purification and disposal of its liquid and solid wastes, sewage and industrial wastes and other services in connection therewith, which agreement will be approved by ordinance enacted by the Council of the City and by a resolution adopted by the Board and is to be approved by an order of the PSC prior to the issuance of the Bonds or Notes authorized hereby.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and the FmHA Bonds and all sinking fund, reserve account and other payments provided for herein, in the FmHA Resolution and in the PSC Order.

E. It is deemed necessary for the Issuer to issue its revenue bonds in the total aggregate principal amount of not more than $3,500,000 in two series, being the Series 1989 A Bonds in the aggregate principal amount of not more than $2,700,000, and the Subordinate Bonds in the aggregate principal amount of not more than $800,000, and pending the issuance thereof its Authority BANs in the aggregate principal amount of not more than $3,500,000 to permanently finance a portion of the cost of acquisition and construction of the Project, and to issue contemporaneously therewith its bond anticipation notes in the aggregate principal amount of not more than $2,000,000 to temporarily finance costs of acquisition and construction of the Project pending the issuance of or receipt of the proceeds of the FmHA Bonds. Said costs shall be deemed to include the cost of all property

rights, easements and franchises deemed necessary or convenient therefor; interest upon the BANs during the term thereof, upon the GANs for a term to be set forth in the Supplemental Resolution or the Agreement and upon the Authority BANs and Bonds prior to and during construction or acquisition and for six months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues and for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and Notes and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof, including, with respect to the Notes, any costs of obtaining insurance thereon or a letter of credit in connection therewith; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds, the Authority BANs or Notes or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project.

F. Concurrently herewith, the Issuer is adopting the FmHA Resolution and, as determined by the Supplemental Resolution, will concurrently with the issuance of the Bonds either issue the FmHA Bonds or receive from FmHA an irrevocable commitment to accept delivery of and pay for the FmHA Bonds on a certain date or dates.

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

H. It is in the best interests of the Issuer that its Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement and pending the issuance thereof that the Authority BANs be sold to the Authority.

I. Except for the FmHA Bonds, there are not outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien and source of and security for payment. The Authority BANs shall be payable from the proceeds of the Bonds and from the Net Revenues on a parity basis with the FmHA Bonds if the Bonds are not issued. The Series 1989 A Bonds shall be on a parity with the FmHA Bonds. The Subordinate Bonds shall be junior and subordinate to the Series 1989 A Bonds as set forth herein and to the FmHA Bonds. The BANs shall be payable from the proceeds of the FmHA Bonds

and, on a basis subordinate to the FmHA Bonds and the Bonds, from the Net Revenues. The GANs shall not be payable from the Net Revenues, but shall be payable from Grant Receipts or Surplus Revenues, all as shall be set forth in the Agreement or the Supplemental Resolution authorizing the GANs.

J. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds, the Authority BANs, the BANs and the GANs, 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, if a promissory note is issued to the County, prior approval of the Agreement by the State Attorney General.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds, the Authority BANs, the BANs and the GANs 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 such Noteholders, 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 and Notes of like series, respectively, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, between any one Authority BAN and any other Authority BAN, between any one BAN and any other BAN, or between any one GAN and any other GAN, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby authorized the construction and acquisition of the Project in accordance with the plans and specifications which have been prepared by the Consulting Engineers and heretofore filed in the office of the Governing Body.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1989 A Bonds, funding a reserve account for each series of Bonds, paying Costs of the Project not otherwise provided for 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 in an aggregate principal amount of not more than $3,500,000. Said Bonds shall be issued in two series, to be designated respectively "Sewerage System Revenue Bonds, Series 1989 A," in the aggregate principal amount of not more than $2,700,000, and "Subordinate Sewerage System Revenue Bonds, Series 1989," in the aggregate principal amount of not more than $800,000, and shall have such terms as are set forth hereinafter and in the Supplemental Resolution. Either the Bonds or the Authority BANs shall be issued contemporaneously with the issuance of the BANs. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

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

Unless otherwise provided by the Supplemental Resolution, the Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with

principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

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

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

Section 3.05. 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 registered Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his duly authorized attorney.

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

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The 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 respective 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; Subordinate Bonds to be Junior and Subordinate to Series 1989 A Bonds. The payment of the debt service of all the Series 1989 A Bonds shall be secured forthwith equally and ratably with each other, and with the FmHA Bonds, by a first lien on the Net Revenues derived from the System. The payment of the debt service of all the Subordinate Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of the Series 1989 A Bonds and the FmHA Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Renewal and Replacement Fund hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

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

[Form of Series 1989 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND, SERIES 1989 A

No. AR-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Wayne 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 _____ _____ ($_____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 19___. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of _____, _____, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority dated _____, 198___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project"); (ii) [to pay interest on the Bonds of this series] (the "Bonds") during the construction of the Project and for approximately _____ months thereafter; (iii) to fund a reserve account for the Bonds; and (iv)] 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 and Supplemental Resolution duly adopted by the Issuer on _____, 1989 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND [IS] [SHALL BE] ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT AND SECURITY FROM THE NET REVENUES (AS DEFINED IN THE RESOLUTION) WITH $_____ IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, ISSUED TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION (THE "SERIES 1989 B BONDS").

THIS BOND IS ISSUED CONCURRENTLY WITH THE SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989, OF THE ISSUER (THE "SUBORDINATE BONDS"), ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____, WHICH SUBORDINATE BONDS ARE JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS AND SOURCES OF AND SECURITY FOR PAYMENT TO THE 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, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1989 A Bonds Reserve Account") and unexpended proceeds of the Bonds and the Subordinate Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1989 A Bonds Reserve Account and unexpended Bond and Subordinate 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, including certain reserves required by the Public Service Commission of West Virginia, 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, the Subordinate Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Subordinate Bonds, including the Series 1989 B Bonds, provided however, that so long as the Series 1989 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 the Bonds in the then current or any succeeding year, the reserve account for the Subordinate Bonds is funded at an amount at least equal to the maximum amount of principal which will become due on the Subordinate 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 Bonds or the Subordinate Bonds, including the Series 1989 B 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 payment of 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.

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

IN WITNESS WHEREOF, NORTHERN WAYNE 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 _____, 1989.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1989 A 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: _____

_____
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Subordinate Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
SUBORDINATE SEWERAGE SYSTEM REVENUE BOND, SERIES 1989

No. SR-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Wayne 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 _____ ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (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 Supplemental Loan Agreement between the Issuer and the Authority dated _____, 19__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project"); (ii) [to fund a reserve account for the Bonds; and (iii)] to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution duly adopted by the Issuer on _____, 1989 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of

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

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, OF THE ISSUER (THE "SERIES 1989 A BONDS"), ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE RESOLUTION AND IS ALSO JUNIOR AND SUBORDINATE TO CERTAIN SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, ISSUED TO THE UNITED STATES OF AMERICA, FARMERS HOME ADMINISTRATION IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1989 B 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 after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1989 A Bonds and the Series 1989 B Bonds herein described and from all moneys in the reserve account created under the Resolution (the "Subordinate Bonds Reserve Account") for the bonds of this series (the "Bonds") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Subordinate 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, including certain reserves required by the Public Service Commission of West Virginia, 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, the Series 1989 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1989 A Bonds, including the Series 1989 B Bonds, provided however, that so long as the Subordinate Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal which will become due on the Bonds in the then current or any succeeding year, the reserve

account for the Series 1989 A Bonds is funded at an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and the reserve account for any prior or parity obligations, including the Series 1989 B Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the 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 _____ _____, West Virginia, as registrar (the "Registrar") by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1989 A Bonds.

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

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

IN WITNESS WHEREOF, NORTHERN WAYNE 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 _____, 1989.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1989 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: _____

_____
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer 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 Bonds; Ratification and Execution of Loan Agreement with Authority. The Authority BANs and the Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement 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 3.11. "Amended Schedule A" Filing; Tender of the Subordinate Bonds. 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. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Subordinate Bonds to the Issuer for payment in an amount equal to such excess. Notwithstanding the foregoing, if the Issuer has Notes outstanding upon completion of construction of the Project, it will advise the Authority of such fact and submit a second schedule to the Authority upon payment of such Notes, and the Authority will not tender its Subordinate Bonds for payment until the outstanding Notes have been paid.

ARTICLE IV

NOTES

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending issuance of the FmHA Bonds or payment of all advances of principal of the FmHA Bonds, or both, as the case may be, the Issuer may issue and sell its bond anticipation notes in the aggregate principal amount of not to exceed $2,000,000. The BANs shall be in a form set forth in the Indenture or the Supplemental Resolution. The BANs shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption and shall have such other provisions not inconsistent with this Resolution as shall be provided in the Indenture and Supplemental Resolution.

Section 4.02. Terms of and Security for BANs; Indenture. The BANs shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, with such terms as are set forth in the Indenture or Supplemental Resolution. The BANs shall be secured by the proceeds of the FmHA Bonds, which are hereby pledged for such purpose and, on a basis subordinate to the Bonds and the FmHA Bonds, if issued, the Net Revenues, which are also hereby pledged for such purpose. Upon further authorization by the Supplemental Resolution, execution and delivery of the Indenture is hereby authorized.

Section 4.03. BANs are Special Obligations. The BANs shall be special obligations of the Issuer payable as to principal and interest solely from the respective sources described above and in the Indenture. The BANs do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the BANs. The Holders of the BANs shall never have the right to compel the forfeiture of any property of the Issuer. The BANs shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture or the Supplemental Resolution.

Section 4.04. GANs and Agreement. In order to pay certain Eligible Costs of the Project pending the receipt of Grant Receipts and upon further authorization by the Supplemental Resolution, execution and delivery of the Agreement in substantially the form attached as Exhibit A is hereby authorized. To evidence the Issuer's obligations under the Agreement, there is hereby authorized the issuance of the

GANs, in the form of a promissory note to the County, in an aggregate principal amount not to exceed $2,000,000. The Issuer's obligations on the promissory note shall be secured by a pledge of the Grant Receipts, all the funds and accounts established by the Agreement, the net proceeds of any refunding notes and the Surplus Revenues, if any. If so provided by the Supplemental Resolution, the Issuer may, rather than entering the Agreement in substantially the form attached as Exhibit A, issue the GANs and sell the same to a third party upon such terms and conditions as are then set forth in such Supplemental Resolution. If authorized by the Supplemental Resolution, such obligations under the Agreement or such GANs may also be secured by the net proceeds of a letter of credit in an amount not to exceed $800,000.

Section 4.05. Issuance of Authority BAN. In order to pay certain Costs of the Project, pending the receipt of the proceeds of the Bonds Authority BAN, in an aggregate principal amount not to exceed $3,500,000. The Authority BAN shall have such provisions as to execution, authentication, registration, negotiability, transfer and such other terms and provisions as are set forth in connection with the Bonds in Article III hereof, and as shall be further set forth with respect to the Authority BAN in the Supplemental Resolution.

Section 4.06. Form of BAN. The text of the Authority BAN 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 BAN]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM BOND ANTICIPATION NOTE,
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY SERIES)

No. R-1 $_____

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

The interest rate on each installment shall run from the original date of delivery of this Note to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning April 1, 1989. Principal of this Note is payable 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, upon surrender of this Note at the principal office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Note is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 1st day of the month preceding an interest payment, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Note is subject to mandatory redemption in whole, within 15 days following receipt by the Issuer of notification from the Authority that it is prepared to purchase the Series 1989 A Bonds and the Subordinate Bonds (as hereinafter defined), or otherwise provide for redemption hereof, at the price of 100% of the principal amount oustanding plus interest accrued to the date of such redemption.

This Note constitutes all of the Notes of an issue of Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series of the Issuer (the "Notes"), issued to temporarily finance a portion of the costs of the construction and acquisition of a sewage collection and transportation system of the Issuer (the "Project"), to capitalize interest on the Notes during construction and for a period of ___ months thereafter and to pay certain costs of issuance thereof and related costs. This Note is issued under the authority of and in full compliance with the 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 adopted by the Governing Body of the Issuer on January 30, 1989, and supplemented thereby on January 30, 1989 (collectively, the "Resolution").

This Note is issued concurrently with the Sewerage System Revenue Bonds, Series 1989 B of the Issuer (the "Bonds"), issued in the aggregate principal amount of $1,950,000, which Series 1989 B Bonds are on a parity with the Notes with respect to the lien on and pledge of the Net Revenues (as defined in the Resolution).

This Note is payable from proceeds of the Issuer's Sewerage System Revenue Bonds, Series 1989 A (the "Series 1989 A Bonds") and Subordinate Sewerage System Revenue Bonds, Series 1989 (the "Subordinate Bonds"), expected to be purchased by the Authority in accordance with a letter of the Authority dated _____, 1989, related to such purchase. In the event the Series 1989 A and Subordinate Bonds are not purchased by the Authority, this Note shall be payable from and secured by a pledge of the Net Revenues and on a parity with the Series 1989 B Bonds, moneys in the Reserve Account (the "BAN Reserve Account"), created under the Resolution for the Notes, and unexpended proceeds of the Notes. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds or notes which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Note 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 the proceeds of the Series 1989 A and Subordinate Bonds, said special fund provided from the Net Revenues, the moneys in the BAN Reserve Account and unexpended proceeds of the Notes. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115%

of the maximum amount payable in any year for principal of and interest on the Notes, and all other obligations secured by a lien on or payable from the Net Revenues prior to or on a parity with the Notes, provided however, that so long as there exists in the BAN Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Notes in the then current or any succeeding year, and in the respective reserve accounts established for all other obligations outstanding prior to or on a parity with the Notes, 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 Notes for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Notes 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 Note is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Note together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Note, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the 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 Note subject, however, to the parity lien thereon in favor of the holders of the Series 1989 B Bonds.

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 have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Note, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Consitution 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 Note.

All provisions of the Resolution and 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.

IN WITNESS WHEREOF, NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT has caused this Note to be signed by the manual signature of its Chairman and its corporate seal to be impressed hereon and attested by the manual signature of its Secretary and has caused this Note to be dated _____, 1989.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

_____
Chairman

[SEAL]

ATTEST:

_____
Secretary

REGISTRAR'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the fully registered Bond Anticipation Notes 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 of Authentication: _____

_____

By _____
Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Note and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Note on the books kept for registration of the within Note with full power of substitution in the premises.

Dated: _____

_____

Signature Guaranteed: _____

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

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Bond Construction Trust Fund.

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

(1) Series 1989 A Bonds Sinking Fund;

(a) Within the Series 1989 A Bonds Sinking Fund, the Series 1989 A Bonds Reserve Account.

(2) Subordinate Bonds Sinking Fund;

(a) Within the Subordinate Bonds Sinking Fund, the Subordinate Bonds Reserve Account.

(3) Authority BANs Sinking Fund;

(a) Within the Authority BANs Sinking Fund, the Authority BANs Reserve Account.

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

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

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month and without distinction or priority between the two payments, (i) commencing 7 months prior to the first date of payment of interest on the Series 1989 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1989 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1989 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1989 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date; and (ii) make the payment into the sinking fund on account of interest required by the FmHA Resolution.

(3) The Issuer shall next, on the first day of each month and without distinction or priority between the two payments, (i) commencing 13 months prior to the first date of payment of principal on the Series 1989 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1989 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1989 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1989 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date; and (ii) make the payment into the sinking fund on account of principal required by the FmHA Resolution.

(4) The Issuer shall next, on the first day of each month and without distinction or priority between the two payments, (i) commencing 13 months prior to the first date of payment of principal of the Series 1989 A Bonds, if not fully funded upon issuance of the Series 1989 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1989 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1989 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1989 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1989 A Bonds Reserve Requirement; and (ii) make the payment into the reserve account required by the FmHA Resolution.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the Project, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Series 1989 A Bonds Reserve Account, but not less than $2,333.33 ($28,000 each year). All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1989 A Bonds Reserve Account or the reserve account for the FmHA Bonds, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4), shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Subordinate Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Subordinate Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Subordinate Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Subordinate Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Subordinate Bonds, if not fully funded upon issuance of the Subordinate Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Subordinate Bonds Reserve Account, an amount equal to 1/120 of the Subordinate Bonds Reserve Requirement; provided, that no further payments shall be made into the Subordinate 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 Subordinate Bonds Reserve Requirement.

In the event the Bonds and Subordinate Bonds are not issued prior to April 1, 1990, the payments which would have been made with respect to the Bonds and Subordinate Bonds set forth in Section 5.03(2), (3) and (4) hereof shall be made into the Authority BAN Sinking Fund on behalf of the Authority BAN.

Moneys in the Series 1989 A Bonds Sinking Fund or the Authority BAN Sinking Fund and the Subordinate Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Authority BAN or the respective series

of Bonds as the same shall become due. Moneys in the Authority BAN Reserve Account, the Series 1989 A Bonds Reserve Account and the Subordinate Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Authority BAN or respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Earnings Fund as required by Section 8.03.

Any withdrawals from the Series 1989 A Bonds Reserve Account or the Authority BAN which result in a reduction in the balance of the Series 1989 A Bonds Reserve Account or the Authority BAN to below the Reserve Requirements therefor shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1989 A Bonds Sinking Fund or the Authority BAN Sinking Fund, the sinking fund for the FmHA Bonds, the Series 1989 A Bonds Reserve Account or the Authority BAN and the reserve account for the FmHA Bonds, including deficiencies for prior payments, have been made in full.

Any withdrawals from the Subordinate Bonds Reserve Account which result in a reduction in the balance of the Subordinate Bonds Reserve Account to below the Subordinate Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1989 A Bonds Sinking Fund, the sinking fund for the FmHA Bonds, the Series 1989 A Bonds Reserve Account, the reserve account for the FmHA Bonds, the Renewal and Replacement Fund and the Subordinate Bonds Sinking Fund, including 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 for additional payments into the respective Sinking Fund sufficient to pay any interest on such Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in an amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

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

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

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

The Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Authority BAN or respective Bonds and any Parity Bonds that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore and in the FmHA Resolution provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so

transferred and paid into the Sinking Funds, including the Reserve Accounts therein, the sinking fund and reserve account for the FmHA Bonds and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Excess Revenues. Excess Revenues may be used for any lawful purpose of the System, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund and may constitute Surplus Revenues.

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

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

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

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

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

H. A percentage of the Tap Fees, to be designated by the Supplemental Resolution and to equal the percentage the Bonds are of the total Authority BAN or Bonds and FmHA Bonds, shall be deposited by the Issuer as received in the Bond

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

ARTICLE VI

BOND AND AUTHORITY BAN PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. If the Authority BANs are not issued, from the moneys received from the sale of any or all of the Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1989 A Bonds, there shall first be deposited with the Commission in the Series 1989 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1989 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1989 A Bonds, there shall be deposited with the Commission in the Series 1989 A Bonds Reserve Account and, from the proceeds of the Subordinate Bonds, there shall be deposited with the Commission in the Subordinate Bonds Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1989 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

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

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and, until so expended, are hereby pledged as additional security for the Series 1989 A Bonds and thereafter for the Subordinate Bonds.

Section 6.02. Application of Authority BAN Proceeds; Pledge of Unexpended BAN Proceeds. From the moneys received from the sale of the Authority BAN, the following amounts shall be deposited in the order set forth below:

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

B. Next, from the proceeds of the Authority BAN, there shall be deposited with the Commission in the Authority BAN Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Authority Reserve Account.

C. The remaining moneys derived from the sale of the Authority BAN shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.04.

Section 6.03. Application of Bond; Pledge of Unexpended Bond Proceeds. The entire proceeds of the Bonds (except for any funding of capitalized interest on the Series 1988 A Bonds, as shall be determined by the Supplemental Resolution) shall be applied to payment of the principal of the Authority BAN and any remaining proceeds shall be deposited in the Bond Construction Trust Fund. Upon such payment of the Authority BAN, all moneys in the Authority BAN Reserve Account shall be transferred to the Reserve Accounts so as to satisfy the Reserve Requirements thereof, and all moneys in the BAN Sinking Fund shall be transferred to the Series 1988 A Bonds Sinking Fund.

Section 6.04. Disbursements from the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the 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 Engineers, stating:

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

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

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

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

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

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

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1989 A Bonds Reserve Account or the Authority BAN Reserve Account, and when fully funded to the Subordinate Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter apply such moneys in full, first to the next ensuing interest payments, if any, due on the Authority BAN or the respective series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Subordinate Bonds to the Issuer pursuant to the provisions of the Loan Agreement, such moneys shall be applied to the purchase of such Subordinate Bonds.

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 Authority BANs or the Bonds, as the case may be, 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 Authority BANs or the Bonds, as the case may be, or the interest thereon is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the BANs or GANs, as the case may be, when due, and to the extent they do not materially adversely affect Bondholders, the owners of the FmHA Bonds or other Noteholders, the covenants, agreements and provisions contained in this Resolution shall, where applicable, also inure to the benefit of the Holders of the BANs or GANs and the Trustee or Trustees therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or Trustees or any Holder or Holders of said BANs or GANs as prescribed in the Indenture or the Agreement, respectively; provided, that Section 7.04 and Section 7.09 shall not be applied to the BANs or GANs.

Section 7.02. Bonds, Authority BANs, and Notes not to be Indebtedness of the Issuer. Neither the Bonds, Authority BANs nor the Notes shall 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, Authority BANs or Notes shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds, Authority BANs or Notes or the interest thereon.

Section 7.03. Authority BANs and Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1989 A Bonds and the Authority BAN until the Bonds are issued, issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System, on a parity with the FmHA Bonds, and payment of the debt service of the Subordinate Bonds issued hereunder shall be secured forthwith equally and ratably by a

lien on said Net Revenues, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the Holders of the Series 1989 A Bonds and the FmHA Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds or the Authority BAN and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in this Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Resolution.

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

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Resolution in accordance with Section 10.01 hereof and, if entered into and not previously defeased, the Indenture and the Agreement. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the BANs or GANs, such proceeds in an amount sufficient to pay the BANs or GANs in full shall be applied to the payment of the BANs or GANs, either at maturity or, if allowable under the Supplemental Resolution or the Indenture or Agreement, prior thereto.

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 $20,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $20,000 but not in excess of $100,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $20,000 and not in excess of $100,000, shall, with the written consent of the Authority if the Authority is the Holder of any of the Bonds, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or optional redemption of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. The payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this 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 $100,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B and except with respect to the Bonds and the FmHA Bonds, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to the BANs prior to or on a parity with the lien on behalf of such BANs until such BANs have been defeased in accordance with the provisions of the Indenture; and, except

for the FmHA Bonds, so long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1989 A Bonds, unless the Subordinate Bonds are no longer outstanding or the Issuer receives the prior written consent of the Owner or Owners of the Subordinate Bonds.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months

immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The FmHA Bonds;

(2) The Bonds then Outstanding;

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

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

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

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to (i) 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 Parity Bonds and (ii) shall be adjusted by subtracting the amount of any reserves required by the PSC Order or any supplement or amendment thereto.

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

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

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

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

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

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds or of a Note or Notes issued pursuant to this Resolution or the Trustee shall have the right at all

reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the 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 Consulting Engineers, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, 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 and the Indenture and Agreement with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall submit said report to the Trustee and the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Resolution.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and

copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all 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 FmHA Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds, including the FmHA 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 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all

resolutions authorizing increased expenditures for operation and maintenance to the Trustee and the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

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

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the PSC, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. The Issuer further covenants to use its best efforts to enter into agreements with any other entities providing water to its users, providing for discontinuing and shutting off the services and facilities of the water system to users of the System delinquent in payment.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

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

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $500,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and

not less than $200,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of the County 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.

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the PSC, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling

or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 7.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1989 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1989 A Bonds during the term thereof is, under the terms of the Series 1989 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1989 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1989 A Bonds during the term thereof is, under the terms of the Series 1989 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1989 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1989 A Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1989 A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The 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 1989 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the exclusion from gross income for federal income tax purposes of interest on the Series 1989 A Bonds, including without limitation the information return required under Section 149(e) of the Code.

E. 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 1989 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1989 A Bonds shall be senior to the statutory mortgage lien in favor of the Holders of the Subordinate Bonds but shall be on a parity with that in favor of the owner or owners of the FmHA Bonds.

Section 7.19. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or admendment thereto.

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the 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 8.01.

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

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Authority BANs and Series 1989 A Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Authority BANs and Series 1989 A Bonds, so that the Authority BANs and Series 1989 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and the Regulations, 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 Authority BANs and Series 1989 A Bonds) so that the interest on the Authority BANs and Series 1989 A Bonds

will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. 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 1989 A 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 be used for the payment of Debt Service on the next interest payment date and, for such purpose, Debt Service due from the Issuer for the payment on such date shall be credited by an amount equal to the amount so transferred.

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 1989 A 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 by the Issuer 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 1989 A Bonds shall be determined based on the actual Yield of the Series 1989 A Bonds during the period between the Closing Date of the Series 1989 A 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 1989 A 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 1989 A 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.

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 6 years following the retirement of the Series 1989 A Bonds, records of the determinations made pursuant to this Section 8.03.

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

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

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds or the Authority BANs, as the case may be:

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

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest than 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, provided however, that all rights and remedies of the Holders of the Subordinate Bonds shall be subject to those of the Holders of the Series 1989 A Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under 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 any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

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

Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 9.04. Remedies on Parity with FmHA Bonds. The exercise of any remedy set forth above shall recognize and protect the parity rights of the owners of the FmHA Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1989 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1989 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 with respect to the Series 1989 A Bonds only, 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 the Series 1989 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1989 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1989 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1989 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1989 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1989 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Series 1989 A 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 10.02. Defeasance of Subordinate Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Subordinate Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect to the Subordinate Bonds only, 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 the Subordinate Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Subordinate Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of and interest, if any, on such Subordinate Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Subordinate 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, if any, due and to become due on said Subordinate 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, if any, on said Subordinate 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 Subordinate 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 10.03. Defeasance of the Authority BANs. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Authority BANs, the principal of and interest due or to become due thereon, at the times and in the manner set forth therein, then with respect to the BAN only, this Resolution and the pledge of Net Revenues and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Authority BANs shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 10.04. Defeasance of the BANs. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all BANs, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to the BANs only, this Resolution, the Indenture, if any, and the pledge of the FmHA Bond proceeds and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the BANs shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 10.05. Defeasance of the GANs. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all GANs, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to the GANs only, this Resolution, the Agreement and the pledge of the Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the GANs shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Series 1989 A Bonds, the Subordinate Bonds, the BANs or the GANs so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds and the Notes from the gross income of the Holders thereof.

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

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

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

Section 11.05. Conflicting Provisions; FmHA Resolution. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided, that no provision of the FmHA Resolution shall be repealed hereby. To the extent of any irreconcilable conflict between this Resolution and the FmHA Resolution, the provision most restrictive to the Issuer and protective of the Bondholders and owners of the FmHA Bonds shall apply.

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

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

Adopted this 30th day of January, 1989.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

Herman E. Wellman
Chairman, Public Service Board

Fred Russell
Member, Public Service Board

Steven L. Gibson
Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Northern Wayne County Public Service District on the 30th day of January, 1989.

Dated: January 30, 1989.

[SEAL]

Steven L. Gibson

Secretary, Public Service Board

INTERGOVERNMENTAL AGREEMENT, LOAN AGREEMENT
AND TRUST INDENTURE

By and Among

THE COUNTY COMMISSION OF WAYNE COUNTY,

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

and

THE FIRST HUNTINGTON NATIONAL BANK,
AS TRUSTEE

Securing
THE COUNTY COMMISSION OF WAYNE COUNTY (West Virginia)
Sewerage System Grant Anticipation Notes, Series 1989
(Northern Wayne County Public Service District Project)

Exhibit A

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THIS INTERGOVERNMENTAL AGREEMENT, LOAN AGREEMENT AND TRUST INDENTURE, dated as of February 15, 1989, herein called the "Indenture," by and among THE COUNTY COMMISSION OF WAYNE COUNTY, a public corporation acting for and on behalf of Wayne County, West Virginia, a political subdivision of the State of West Virginia, herein called the "Issuer," NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State West Virginia, herein called the "Grantee" and THE FIRST HUNTINGTON NATIONAL BANK, Huntington, West Virginia, a national banking association authorized to accept and execute trusts and covenants of the character herein set forth, herein called the "Trustee."

WHEREAS, capitalized words used and not otherwise defined in these Preambles and the Granting CLauses below have the respective meanings given them in Section 1.01 hereof;

WHEREAS, the Grantee has undertaken the acquisition and construction of certain new public sewerage facilities to be financed in part from the proceeds of a grant from the EPA and in part by sewer revenue bonds and bond anticipation notes contemporaneously or heretofore issued by the Grantee, and the Grantee has determined to undertake a joint project with the Issuer in providing interim financing for such acquisition and construction;

WHEREAS, the Grantee has requested the assistance of the Issuer and the Issuer has agreed to assist the Grantee in the manner provided herein by entering jointly into this Indenture with the Grantee as an intergovernmental agreement, pursuant to the Intergovernmental Relations Act and as a loan agreement pursuant to the Bond Act;

WHEREAS, by the Grantee Resolution, the Governing Body of the Grantee duly authorized construction and acquisition of the Project at an estimated cost of $12,251,157, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed in the office of the Governing Body of the Grantee;

WHEREAS, by resolution duly adopted on January 30, 1989, the Issuer has authorized the issuance of its Sewerage System Grant Anticipation Notes, Series 1989 (Northern Wayne County Public Service District Project), in the aggregate principal amount of $1,600,000 and the execution and delivery of this Indenture, the performance of its obligations hereunder and certain other instruments, certificates and other documents relating thereto;

WHEREAS, all necessary licenses, permits and/or approvals of governmental agencies and departments have been obtained for the construction and acquisition of the Project and operation of the System to the extent obtainable, and, to

the extent not yet obtainable, no difficulty is expected by the Grantee or the Consulting Engineers in obtaining such licenses, permits and/or approvals;

WHEREAS, the Grantee contemplates receiving certain Grant Receipts for the construction and acquisition of the Project, being specifically the proceeds of the EPA Grant expected to be received in the approximate amount of $7,651,320, and the Grantee has entered into an assistance agreement with the EPA, pursuant to which the EPA will reimburse the Grantee for approximately 76% of the Costs of the Project incurred by the Grantee and eligible for such reimbursement;

WHEREAS, the Grantee has heretofore received EPA Grant Receipts in the amount of $294,300 prior to delivery of the Notes.

WHEREAS, the Grantee has issued its Authority BANs in the aggregate principal amount of $2,704,000, pursuant to the PSD Act to permanently finance a portion of the Project Costs;

WHEREAS, the Grantee has issued its BANs in the aggregate principal amount of $1,850,000 pursuant to the PSD Act to finance a portion of the Project Costs pending receipt of the proceeds of the Series 1989 B Bonds issued simultaneously to the United States Department of Agriculture, Farmers Home Administration;

WHEREAS, it is deemed necessary for the Issuer to issue its Notes, in the aggregate principal amount of $1,600,000 to temporarily finance Costs of the Project pending receipt by the Grantee of the Grant Receipts not yet received by the Grantee, estimated to be $7,357,020;

WHEREAS, the Issuer has determined, as set forth in the Issuer Resolution, that the Issuer may issue the Notes and may enter into this Indenture to secure the Notes in the manner set forth herein;

WHEREAS, the Issuer is permitted pursuant to the Bond Act to finance the acquisition and construction of sewage disposal facilities by the issuance of revenue bonds, and the Grantee is permitted, pursuant to the PSD Act, to finance the acquisition and construction of sewerage facilities by the issuance of bonds, notes or other obligations, payable from proceeds of grants;

WHEREAS, pursuant to the Intergovernmental Relations Act, any public works which may be undertaken by a public agency acting alone may be exercised or undertaken jointly with any other public agency; both the Issuer and Grantee constitute

public agencies, and the activities of the Issuer and Grantee under and pursuant to this Indenture relate to the acquisition and construction of public works, all as such terms are defined by the Intergovernmental Relations Act;

WHEREAS, this Indenture is intended and hereby is declared to constitute an "intergovernmental agreement" as such term is defined in the Intergovernmental Relations Act and a "loan agreement," as such term is defined in the Bond Act, and a copy of this Indenture shall be filed with the Clerk of the Issuer and the Secretary of the Grantee;

WHEREAS, the Issuer and the Grantee hereby agree to jointly construct and finance the Project in compliance and accordance with the Intergovernmental Relations Act and this Indenture;

WHEREAS, the System is located entirely within the boundaries of Wayne County, West Virginia;

WHEREAS, the Notes originally authorized hereby and the Registrar's certificate of authentication and registration to be endorsed thereon are all to be in substantially the forms set forth in Exhibit A attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture, the Grantee Resolution or the Issuer Resolution or deemed necessary by the Trustee, the Issuer and the Grantee; and

WHEREAS, this Indenture has been submitted to the Attorney General of the State of West Virginia, and the Attorney General has approved this Indenture; and

WHEREAS, all things necessary to make the Notes, when authenticated and registered by the Registrar and issued as in this Indenture provided, the valid, binding and legal special obligations of the Issuer and the Grantee according to the import thereof, and to constitute this Indenture a valid pledge and assignment of those funds pledged to the payment of the principal of and interest on the Notes and a valid pledge and assignment of the rights of the Issuer and the Grantee in the properties described in the granting clauses hereof have been done and performed; and the creation, execution and delivery of this Indenture, and the creation execution and issuance of the Notes, subject to the terms hereof and thereof, have in all respects been duly authorized and will not result in any breach of, or constitute a default under, any instrument to which the Issuer or the Grantee is a party or by which either may be bound or affected;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

The Issuer and the Grantee, in consideration of the premises and the acceptance by the Trustee of the Trust Estate hereby created, of the purchase and acceptance of the Notes by the Original Notes Purchaser and the Registered Owners thereof and of other good and lawful consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the Notes according to their tenure and effect and to secure the performance and observance by the Issuer and the Grantee of all the covenants expressed or implied herein and in the Notes, have executed this Indenture and do hereby grant, bargain, sell, convey, pledge and assign the following to, and do hereby confirm and grant a security interest in the following to THE FIRST HUNTINGTON NATIONAL BANK, Huntington, West Virginia, as Trustee, and its successors in trust and assigns forever, all and singular the property hereinafter described, to wit:

FIRST GRANTING CLAUSE

All right, title and interest of the Issuer and the Grantee in and to the Grant Receipts, unexpended Notes proceeds and other moneys held in the Notes Debt Service Fund.

SECOND GRANTING CLAUSE

All right, title and interest of the Issuer and the Grantee in and to the proceeds of a draw under the Letter of Credit, net of the Issuer's costs of issuing refunding notes to evidence the Issuer's obligation to repay such draw.

THIRD GRANTING CLAUSE

All right, title and interest of the Issuer and the Grantee in and to the net proceeds of any refunding notes or other obligations issued for the purpose of paying all or a portion of the principal of or interest on the Notes.

FOURTH GRANTING CLAUSE

The Surplus Revenues, if any.

FIFTH GRANTING CLAUSE

All right, title and interest of the Issuer and the Grantee in and to the Grant Receipts and other moneys, including investment income and unexpended Notes proceeds, held in the Notes Construction Trust Fund established by this Indenture.

SIXTH GRANTING CLAUSE

All moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security for the Notes hereunder to the Trustee by the Issuer, the Grantee or by anyone in their behalf, or with their written consent.

SUBJECT TO THE TERMS HEREOF, TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, and the rights and privileges hereby conveyed, pledged and assigned by the Issuer or the Grantee, or intended so to be, unto the Trustee and its successors and assigns forever, in trust, nevertheless, for the equal and proportionate benefit, security and protection of each and every Holder of the Notes, issued under and secured by this Indenture, without preference, priority or distinction as to the lien, benefit and protection hereof of one of the Notes over or from the others, for any reason whatsoever except as herein otherwise expressly provided, so that each and all of the Notes (except as so expressly provided), shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby;

PROVIDED, HOWEVER, and these presents are upon the express condition, that, if the Issuer, the Grantee or their successors or assigns shall well and truly pay or cause to be paid the principal of and interest on the Notes, according to the provisions set forth in the Notes and each of them or shall provide for the payment of such Notes by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment thereof when and as authorized by the provisions hereof, including Section 8.01, and shall also pay or cause to be paid all other sums payable with respect to the Notes hereunder by the Issuer or the Grantee, then these presents and the Trust Estate and rights hereby granted shall cease, determine and become void; otherwise, the provisions of this Indenture shall be and remain in full force and effect.

IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that the Notes issued hereunder are to be issued, authenticated, registered and delivered, and that the Trust Estate is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Issuer and the Grantee, for themselves and their successors and assigns, does hereby covenant and agree to and with the Trustee and its respective successors and assigns in said trust, for the benefit of the Holders of the Notes or any of them, as is set forth in this Indenture.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms used herein and not defined in the preambles hereof or as set forth below shall have the meanings set forth in Section 1.01 of the Grantee Resolution. In addition, notwithstanding other meanings which may have been assigned in the Grantee Resolution, the following terms shall have the following meanings in this Indenture, unless the context expressly requires otherwise:

"Administrator" means Anthony J. Danzo, who shall serve as administrator for the Project.

"Authority BANs" means the not more than $3,500,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes (West Virginia Water Development Authority Series), originally authorized by the Grantee Resolution.

"Authorized Officer" means, with respect to the Issuer, the President of the Issuer or any other officer duly appointed as such by the Governing Body of the Issuer; and with respect to the Grantee, the Chairman of the Governing Body of the Grantee, or any other person duly appointed as such by the Governing Body of the Grantee.

"BANs" means the not more than $1,850,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, Series 1989, originally authorized by the Grantee Resolution.

"Bond Act" means Chapter 13, Article 2C of the Code of West Virginia, 1931, as amended.

"Bonds" means, collectively, the Series 1989 A Bonds, the Subordinate Bonds and the Series 1989 B Bonds and pending the issuance of the Series 1989 A Bonds and the Subordinate Bonds includes the Authority BANs.

"Clerk" means the Clerk of the Issuer.

"Consulting Engineers" means Regula Engineering, Inc., Huntington, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Grantee as Consulting Engineers for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.03(E) of the Grantee Resolution to be a part of the cost of construction and acquisition of the Project.

"Credit Bank" means One Valley Bank of Huntington, Inc., Huntington, West Virginia, which will issue the Letter of Credit.

"Eligible Costs" means costs of the Project which are reimburseable in full on a dollar-for-dollar basis from the proceeds of the EPA Grant, the total of which are equal in amount to the EPA Grant.

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

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

"EPA Grant Receipts" means all moneys received by the Grantee on account of the EPA Grant subsequent to the issuance of the Notes.

"Event of Default" means any occurrence or event specified in Section 6.01 hereof.

"Fiduciaries" means the Trustee, the Registrar, and the Paying Agent, all as hereinafter defined, as required by the context.

"Governing Body" means, with respect to the Issuer, the commission thereof and, with respect to the Grantee, the public service board thereof, as either is now or may hereafter be constituted.

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

"Grant Receipts" means all money received by the Grantee on account of any Grant subsequent to the issuance of the Notes.

"Grantee" means the Northern Wayne County Public Service District.

"Grantee Resolution" means, together, the Resolution adopted by the Governing Body of the Grantee on January 30, 1989, authorizing the issuance of the Series 1989 A Bonds and the BANs and this Indenture and the Resolution adopted by the Governing Body of the Grantee on January 30, 1989, authorizing the issuance of the Series 1989 B Bonds.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Section 5.01) or any Tap Fees.

"Intergovernmental Relations Act" means Chapter 8, Article 23 of the Code of West Virginia, 1931, as amended.

"Investment Agreement" means the Investment Agreement dated February 15, 1989, by and among the Issuer, the Grantee and One Valley Bank of Huntington, Inc., Huntington, West Virginia.

"Issuer" means The County Commission of Wayne County, acting for and on behalf of Wayne County, West Virginia.

"Issuer Resolution" means the Resolution adopted by the Governing Body of the Issuer on January 30, 1989, authorizing among other things this Indenture.

"Letter of Credit" means the letter of credit issued by the Credit Bank, pursuant to which the Credit Bank has agreed to pay to the Trustee, upon presentation by the Trustee of certain certifications, a sum not to exceed $770,000.

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

"Notes" means the $1,600,000 aggregate principal amount of Sewerage System Grant Anticipation Notes, Series 1989 (Northern Wayne County Public Service District Project), of the Issuer originally authorized hereby and, unless the context clearly indicates otherwise, includes any refunding notes of the Issuer.

"Notes Debt Service Fund" means the Notes Debt Service Fund established by Section 4.01.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar, Paying Agent and the Trustee (all as herein or in the Grantee Resolution defined), other than those capitalized as part of the Costs, payments to pension or

retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, BANs or Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Notes Purchaser" means Scott & Stringfellow, Inc., a Virginia corporation, or any successor thereto.

"Outstanding," as of any particular date, describes all Notes theretofore and thereupon being authenticated and delivered except (i) any Note cancelled by the Registrar at or prior to said date; (ii) any Note for the payment of which moneys, equal to its principal amount with interest to the date of maturity, shall be in trust hereunder and set aside for such payment; (iii) any Note deemed to have been paid as provided in Article VIII hereof; and (iv) for purposes of consents or other action by a specified percentage of Noteholders, any Notes registered to the Issuer or the Grantee.

"Paying Agent" or "Notes Paying Agent", means, with respect to the Notes, First Huntington National Bank, a national banking association, with principal office in Huntington, West Virginia, as paying agent for the Notes, and any successors thereto or any additional paying agent appointed pursuant to Section 7.12.

"Project" means the acquisition and construction of certain sanitary sewer facilities of the Grantee, consisting of approximately 43.7 miles of force main, 1.91 miles of gravity main, 11.41 miles of 1.2-inch force main service pipe, .07 mile of 4-inch gravity service pipe, 930 grinder pumps, 22 septic tanks, 4 main line pump stations, 31 manholes, valves and all other appurtenances and an administrative and maintenance building.

"PSC Order" means the final order of the Public Service Commission of West Virginia in Case No. 87-568-S-CN, which was entered by the Administrative Law Judge on November 23, 1988, and became a final order on December 7, 1988, as amended by the final order of the Public Service Commission entered on January 13, 1989.

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

"Qualified Investments" means:

(a) Direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America ("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; Federal Home Loan Mortgage Corporation; Federal National Mortgage Association; Washington Metropolitan Area Transit Authority; and any bond, debenture, note, participation certificate or other similar obligations issued by any other federal agency;

(d) Interest-bearing time or demand deposits, certificates of deposit, repurchase agreements or other similar banking arrangements with any government securities dealer, bank, trust company, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, repurchase agreements and other arrangements are (i) fully insured by the Federal Deposit Insurance Corporation ("FDIC") or the Federal Savings and Loan Insurance Corporation or (ii) fully collateralized by permitted investments defined in (a) and (d) above or (iii) in or with a government securities dealer, bank, trust company, national banking association or other savings institution rated in either one of two highest rating categories by Moody's Investors Service, Inc. or Standard & Poor's Corporation, or another nationally recognized rating agency;

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

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

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

(h) The Investment Agreement entered by the Trustee at the direction of the Issuer and the Grantee upon delivery of the Notes; and

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

"Record Date" means the 1st day of the month preceding an interest payment.

"Registrar" or "Notes Registrar" means, with respect to the Notes, The First Huntington National Bank, a national banking association, with principal office in Huntington, West Virginia, as registrar for the original registration and the

transfer of registration of the Notes, or any successor thereto pursuant to Section 7.12 hereof.

"Registered Owner," "Holder," "Note Holder" or any similar term means the person in whose name such note is registered.

"Series 1989 A Bonds" means the not more than $2,700,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 A, of the Grantee.

"Series 1989 B Bonds" means the $1,950,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 B, of the Issuer.

"Subordinate Bonds" means the not more than $800,000 in aggregate principal amount of Subordinate Sewerage System Revenue Bonds, Series 1989, of the Issuer.

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

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid waste, sewage or industrial waste, owned by the Grantee, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

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

"Trust Estate" means the property, rights, moneys, securities and other amounts pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

"Trustee" means THE FIRST HUNTINGTON NATIONAL BANK, a national banking association, with principal office in Huntington, West Virginia, its successors and assigns.

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

Words importing singular number include the plural number in each case and vice versa; words importing the masculine, feminine or neuter gender include every other

gender; and words importing persons include firms, partnerships, associations and corporations.

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

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

ARTICLE II

THE NOTES

Section 2.01. Authorization and Terms of Notes. There shall be originally issued hereby the Notes of the Issuer. The Notes shall be designated "Sewerage System Grant Anticipation Notes, Series 1989 (Northern Wayne County Public Service District Project)." The Notes shall be in the aggregate principal amount of $1,600,000; shall be dated as of February 15, 1989; shall bear interest from the interest payment date next preceding the date of registration (unless registered as of an interest payment date, in which event from the date of registration or unless registered prior to August 15, 1989, in which event from February 15, 1989) at the rate of 6.875% per annum, payable from the funds provided therefor in accordance with Article IV hereof, semiannually on February 15 and August 15 of each year, commencing August 15, 1989, for the Notes upon original issuance; shall mature on August 15, 1991; and shall not be subject to redemption prior to maturity.

Interest on the Notes shall be payable to the Holder thereof at the address shown on the registry books maintained by the Registrar as of the Record Date by check or draft to be mailed by the Paying Agent or, in the case of a Registered Owner of $500,000 or more of the Notes, by wire transfer to a domestic bank account specified in writing to the Registrar at least 5 days preceding such interest payment date by such Registered Owner. Principal of the Notes shall be payable upon surrender of such Notes at the principal office of the Paying Agent 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.

The Notes shall be issued in fully registered form, numbered from R-1 upward in denominations of $5,000 or any integral multiples thereof.

Section 2.02. Execution of Notes. The Notes shall be executed in the name of the Issuer by the manual or facsimile signature of the President and the seal of the Issuer shall be affixed thereto, or a facsimile of such seal imprinted thereon, and attested by the manual or facsimile signature of the Clerk. In case any one or more of the officers who shall have signed or sealed any of the Notes shall cease to be such officer before the Notes so signed and sealed shall have been actually sold and delivered, such Notes may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Notes had not ceased to hold such office. Any Notes may be signed and sealed on behalf of the Issuer by such person as at the actual time of the

execution of such Notes shall hold the proper office although at the date of such Notes, or at the date or registration thereof, such person may not have held such office or may not have been so authorized.

Section 2.03. Authentication and Registration. No Note shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication and registration on such Note, substantially in the form set forth in Exhibit A, attached hereto and incorporated herein by reference as a part hereof, shall have been manually executed by the Registrar. Any such executed certificate of the Registrar upon any such Note shall be conclusive evidence that such Note has been authenticated, registered and delivered under this Indenture and that the Holder thereof is entitled to the benefits hereof. The Registrar's certificate of authentication and registration on any Note shall be deemed to have been executed by it if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication and registration on all of the Notes issued hereunder.

Section 2.04. Form of Notes. The Notes originally issued under this Indenture shall be substantially in the form set forth in Exhibit A, attached hereto and incorporated herein by reference as a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture or the Issuer Resolution or deemed necessary by the Trustee and the Issuer.

Section 2.05. Delivery of Notes. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver the Notes originally authorized hereby to the Registrar, for authentication and registration and, upon receipt by the Trustee of the documents set forth below, the Trustee shall direct the Registrar to deliver them to the Original Notes Purchaser as directed by the Issuer and as hereinafter in this Section 2.05 provided.

Prior to the delivery by the Registrar of any of the Notes, there shall be filed with the Trustee:

(A) A copy, duly certified by the Secretary, of the Grantee Resolution authorizing the execution and delivery of this Indenture by the Grantee and approving the issuance and sale of the Notes by the Issuer;

(B) A copy, duly certified by the Clerk, of the Issuer Resolution authorizing the execution and delivery of this Indenture by the Issuer and the issuance and sale of the Notes;

(C) An original executed counterpart of this Indenture;

(D) An original executed counterpart of the Investment Agreement;

(E) The original executed Letter of Credit;

(F) Copies, duly certified by the Secretary, of the Grant Agreements;

(G) A signed opinion of nationally recognized bond counsel regarding the validity of the Notes and this Indenture;

(H) A request and authorization to the Trustee on behalf of the Issuer, signed by the Authorized Officer, to cause the Notes to be authenticated and registered by the Registrar and delivered to the Original Notes Purchaser upon payment to the Trustee, but for the account of the Issuer, of a sum specified in such request and authorization plus interest accrued thereon to the date of delivery, the proceeds of which payment shall be paid over to the Trustee and deposited to the credit of the funds and accounts specified in Article IV hereof; and

(I) Such other documents, agreements or other materials as may be required by the Trustee, including, but not limited to, evidence that the Series 1989 A Bonds, the Subordinate Bonds and either the Series 1989 B Bonds or the BANs have been delivered and payment received therefor.

Section 2.06. Negotiability, Transfer and Registration. The Notes shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but each of such Notes may only be transferred by transfer of the registration thereof as hereinafter provided. Each Note shall be transferable without service charge, except to the Issuer or the Grantee, upon the books required to be kept pursuant to Section 2.08 hereof, by the Holder thereof, in person or by his attorney duly authorized in writing, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. The Notes shall be exchangeable for a Note or Notes of authorized denominations also at the principal office of the Registrar.

For every exchange or transfer of Notes, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, but the Issuer or the Grantee shall pay any service charge in connection with transfer. No

transfer or exchange may be made of Notes during the period beginning on the Record Date and ending on the day next preceding such interest payment date.

Section 2.07. Notes Mutilated, Destroyed, Stolen or Lost. In case any Note shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Registrar shall authenticate, register and deliver, a new Note in exchange and substitution for such mutilated, destroyed, stolen or lost Note upon surrender and cancellation of such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost and upon the Holder's furnishing the Issuer and the Trustee satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer or the Registrar may incur. All Notes so surrendered shall be submitted to and cancelled by the Registrar and held for the account of the Issuer. If such Note shall have matured or be about to mature, instead of issuing a substitute Note the Issuer may pay the same, upon being indemnified as aforesaid, and if such Note be lost, stolen or destroyed, without surrender therefor.

Section 2.08. Registrar. The Issuer will keep or cause to be kept at the principal office of the Registrar, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register all Notes initially issued pursuant hereto and register or cause to be registered, on such books, the transfer or exchange of Notes as hereinbefore provided.

The Registrar shall accept a Note for transfer of registration only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust.

Section 2.09. Loan and Repayment of Notes Proceeds. The Issuer shall loan the entire proceeds of the Notes, upon receipt, to the Grantee by depositing such proceeds with the Trustee, to be applied by the Grantee in the manner set forth in Section 4.05 hereof. The Grantee shall repay the loan of Notes proceeds to the Issuer by depositing with the Trustee the Grant Receipts and other moneys all as set forth in Article IV, hereof. To evidence its obligation to repay such loan from the sources and in the manner set forth herein, the Grantee shall

deliver a promissory note to the Issuer in substantially the form set forth in Exhibit B attached hereto and incorporated herein by reference.

ARTICLE III

SECURITY FOR AND COVENANTS REGARDING THE NOTES

Section 3.01. Payment of the Notes. Subject to the restrictions and limitations on the sources of payment hereinafter set forth, the Issuer and the Grantee covenant that they will promptly pay, or cause to be paid, the principal of and interest on the Notes issued under this Indenture at the place, on the dates and in the manner provided herein and in the Notes according to the true intent and meaning thereof. The principal of and interest on the Notes shall be payable solely from the sources set forth in the granting clauses hereof. The Notes are special obligations of the Issuer, payable solely from said sources described above, and do not and shall not constitute an indebtedness of the Issuer or the Grantee within the meaning of any constitutional or statutory provisions. The general funds of the Issuer or the Grantee are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer or the Grantee are pledged to the payment of the Notes. Neither the Trustee nor the Holders of the Notes shall ever have the right to compel the forfeiture of any property of the Issuer or the Grantee. The Notes shall not be a debt of the Issuer or the Grantee, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of their income, receipts or revenues except the Grant Receipts and other funds pledged therefor by this Indenture.

Notwithstanding anything in this Indenture to the contrary, neither the Issuer nor the Grantee shall be required to advance any money derived from any source of income other than the Grant Receipts and other funds pledged by this Indenture for the payment of the principal of or interest on the Notes or for the performance of any of their duties under this Indenture. The Issuer or Grantee may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Issuer or Grantee for such purpose without incurring indebtedness.

Section 3.02. Restrictions on Other Debt The Issuer and Grantee hereby covenant that, so long as any of the Notes originally issued hereunder are Outstanding, they will not, either jointly or individually, issue any bonds, notes or other evidences of indebtedness with a lien on or otherwise payable from any source of payment pledged for such Notes prior to or on a parity with the lien on behalf of such Notes, except that obligations which have a lien on the Net Revenues on parity with the lien of the Bonds or the BANs may be issued solely for the purpose of completing the Project.

Section 3.03. Particular Covenants. In order to secure the payment of the Notes, the Issuer and Grantee hereby particularly covenant and agree that if and so long as any of the Notes are Outstanding:

(A) The Grantee will proceed to complete with all practicable dispatch the construction and acquisition of the Project and will maintain, or require all contractors for the Project to maintain, as appropriate, all indemnity bonds and insurance required by the contract documents and by law;

(B) The Grantee and the Issuer will not make or cause or permit to be made any application of the proceeds of the Notes or of any moneys held in the Notes Debt Service Fund or the Notes Construction Trust Fund except in accordance with the provisions of Article IV hereof;

(C) The Grantee will prepare and submit to the Trustee, on or prior to the 15th day of each month during construction of the Project, a budget setting forth (i) anticipated expenditures for Costs of the Project by category during the current month and to the conclusion of construction, and the corresponding anticipated source of reimbursement, if any, and if not reimbursed, then the permanent source of funding for such Costs, (ii) an accounting of all moneys disbursed as of the current month for Costs of the Project, both cumulatively and during the previous 30-day period, and the corresponding source or anticipated source of reimbursement, if any, for such Costs and, if not reimbursed, then the permanent source of funding and (iii) any other information required by the PSC Order;

(D) The Grantee and the Issuer will comply in all respects with the terms, conditions and provisions of all Grant Agreements and with all applicable State and federal laws and regulations governing the implementation of any Grant Agreement;

(E) The Grantee will impose and collect rates and charges for the use and services of the System in accordance with the requirements of any Grant Agreement and the Grantee Resolution;

(F) The Grantee will take all actions necessary to enforce any Grant Agreement and to preserve its right to receive payments or reimbursements under the Grant Agreements;

(G) The Grantee will continue promptly to request any payment or reimbursement to which it has become entitled under the Grant Agreements;

(H) The Grantee will promptly pay over to the Trustee all Grant Receipts and Surplus Revenues, if any, when required, for deposit in the appropriate accounts;

(I) The Grantee will not unilaterally terminate, or enter into any agreement to terminate, any Grant Agreement;

(J) The Grantee and the Issuer will not create, assume or suffer to be created any judgment, mortgage or deed of trust, pledge or other lien, encumbrance or charge on the Gross Revenues or Net Revenues, the Surplus Revenues, if any, the Grant Receipts or on any property or assets, real or personal, of the System prior to or on a parity with the liens created on behalf of the Notes originally issued hereunder (except as permitted by Section 3.02 hereof);

(K) The Grantee and the Issuer will not direct the Trustee to invest any moneys held as a part of any fund or account hereunder in any Qualified Investment other than the Investment Agreement, except that the Trustee may invest moneys in other Qualified Investments for periods not to exceed 10 days, pending their deposit under the Investment Agreement or other use;

(L) The Grantee and the Issuer will complete construction of the Project as expeditiously as possible and, if necessary due to cost overruns or otherwise, the Grantee will issue additional obligations to complete the Project in conformance with the provisions of the Grantee Resolution;

(M) The Grantee will comply with all conditions of the PSC Order applicable to the Notes; and

(N) All real and personal property acquired for the Project shall be and remain, following the termination of this Indenture, the property of the Grantee, and the Issuer shall have no interest therein.

Section 3.04. Required Notices to Trustee. The Issuer or the Grantee, as appropriate, will give to the Trustee and to such other party to this Indenture, and the Trustee shall promptly forward a copy to every registered owner of the Notes, prompt written notice, appropriately documented, of any change in the status of the Grants and of any authorization of additional indebtedness, including the issuance of completion obligations or refunding notes and particularly of any of the following events:

(A) Any substantial modification of a Grant;

(B) The suspension of any Grant, or the issuance of any stop-work order;

(C) The lifting or cancellation of the suspension of any Grant or of the issuance of any stop-work order;

(D) The termination of any Grant;

(E) The annulment of any Grant; and

(F) The proposed issuance of the Refunding Notes or any other refunding notes, completion bonds or other obligations.

Section 3.05. Letter of Credit; Refunding Notes. In the event that there are not funds in the Notes Debt Service Fund 5 days prior to the maturity date of the Notes originally issued hereunder sufficient to pay, at maturity, the entire principal of and interest on the Notes, the Trustee is required, pursuant to Section 4.07, to draw upon the Letter of Credit in an amount, the net proceeds of which will be sufficient to make up such deficiency, to the maximum amount permitted to be drawn under the Letter of Credit. To evidence its obligation under the Letter of Credit, the Issuer covenants to issue its refunding notes to the Credit Bank in an amount equal to such draw.

In addition, if after depositing the proceeds of such draw under the Letter of Credit in the Notes Debt Service Fund, the moneys therein are still not sufficient to pay, at maturity, the entire principal of and interest on the Notes, the Issuer and the Grantee covenant to use their best efforts to issue and sell additional refunding notes or other obligations in an amount which will provide net proceeds sufficient for such purpose.

Except for details thereof inconsistent herewith and as may be otherwise provided by an indenture or indentures supplemental hereto, such refunding notes or other obligations shall be subject to the terms and restrictions and secured, on a subordinate basis, by the covenants and in the manner set forth herein for the Notes originally issued hereunder, except that any refunding notes shall not be secured by the Letter of Credit.

The proceeds of any refunding notes or other obligations, after making provision for the payment of the expenses of issuance thereof, shall be deposited in the Notes Debt Service Fund and used solely for the payment of the principal of and interest accrued on the Notes.

THE TRUSTEE SHALL, ON JULY 15, 1991, NOTIFY THE ISSUER AND THE GRANTEE IN THE EVENT THAT ON SUCH DATE THERE ARE NOT SUFFICIENT FUNDS IN THE NOTES DEBT SERVICE FUND TO PAY, AT MATURITY, THE PRINCIPAL OF AND INTEREST TO ACCRUE ON THE NOTES.

In the event refunding notes are issued by the Issuer, the loan from the Issuer to the Grantee shall continue to be unpaid and to be evidenced by the promissory note of the Grantee.

Section 3.06. Covenants in Grantee Resolution to Apply to Notes. Until payment in full of the Notes, all covenants, agreements and provisions contained in the Grantee Resolution shall, where applicable, inure to the benefit of the registered owners of the Notes, and to the Trustee, for and on behalf of the registered owners of the Notes.

Section 3.07. Tax Covenants. The following representations, covenants and agreements are hereby made with respect to the Notes:

A. SMALL GOVERNMENTAL UNIT EXCEPTION. The Issuer has general taxing powers to finance operations of or facilities of the nature of the System; 95% or more of the net proceeds of the Notes are to be used for local governmental activities of the Issuer; and the aggregate face amount of all tax-exempt bonds (other than "private activity bonds") issued by the Issuer and all subordinate entities thereof during the calendar year 1989 (being the calendar year in which the Notes are to be issued), excluding any tax-exempt bond which is not outstanding at the time of a later issue or which is paid or redeemed from the net proceeds of a later issue, is not reasonably expected to exceed $5,000,000.

B. QUALIFIED TAX-EXEMPT OBLIGATION STATUS. The Issuer and all subordinate entities do not reasonably expect to issue more than $10,000,000 of tax-exempt obligations during the calendar year 1989 and hereby designates the Notes as "qualified tax-exempt obligations," as defined in Section 265(b)(3)(B) of the Code.

C. REBATES. The Issuer believes that it is not subject to the "rebate" requirements of Section 148 of the Code. However, in the event that it may be determined by the United States Internal Revenue Service that the Issuer is subject to such rebate provisions, the Issuer hereby covenants to rebate to the United States Government any and all amounts required by said Section 148 of 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 covenants to pay any and all penalties and obtain a waiver from Internal Revenue Service in order to maintain the tax-exempt status of the Notes.

Section 3.08. Project Administrator. The Grantee and the Issuer hereby initially appoint Anthony J. Danzo as Administrator, who shall be responsible for administering the joint undertaking set forth herein.

ARTICLE IV

NOTES PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts. Pursuant to this Article IV, the following special funds or accounts are created with, and shall be held by, the Trustee:

(1) Notes Construction Trust Fund, and

(2) Notes Debt Service Fund.

Section 4.02. Notes Construction Trust Fund. The Notes Construction Trust Fund shall be segregated from all other funds and accounts of the Trustee, the Issuer and the Grantee and used solely for the purposes provided herein.

The Trustee shall disburse no moneys from the Notes Construction Trust Fund except to pay Costs of the Project as provided below, or to pay the principal of or interest on the Notes when due.

Section 4.03. Disbursements from Notes Construction Trust Fund. Payments for Costs of the Project from the Notes Construction Trust Fund shall be made monthly at the direction of the Grantee, subject to the requirements of this Section.

Disbursements from the Notes Construction Trust Fund (except for costs of issuance of the Notes) shall be made only after submission to the Trustee of a certificate, signed by an Authorized Officer of the Grantee, the Administrator and the Consulting Engineers, stating:

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Trustee shall disburse from the Notes Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Notes Construction Trust Fund shall be presumed by the

Trustee to be made for the purposes set forth in said certificate, and the Trustee shall not be required to monitor the application of disbursements from the Notes Construction Trust Fund. The Consulting Engineers and the Chairman of the Governing Body shall from time to time file with the Trustee written statements advising the Trustee of its then authorized representative.

Pending such application, moneys in the Notes Construction Trust Fund shall be invested and reinvested in accordance with Article V hereof.

Whenever the Trustee shall have received notice pursuant to Section 3.04 hereof that any Grant has been suspended or a stop-work order has been issued, the Trustee shall not make further disbursements from the Notes Construction Trust Fund until it shall have received notice of the lifting of such suspension or stop-work order in accordance with such section. If the Trustee shall have received notice pursuant to said Section 3.04 that any Grant has been terminated or annulled, the Trustee shall not make any further disbursements from the Notes Construction Trust Fund, and it shall immediately transfer all moneys remaining in the Notes Construction Trust Fund to the Notes Debt Service Fund. Notwithstanding the foregoing provisions of this paragraph, if the Grant which has been suspended, terminated or withdrawn is a Grant other than the EPA Grant, and the Grantee files with the Trustee a certificate of the Consulting Engineers reciting the conclusion and demonstrating that the Project can be completed and the Notes paid in full without such other Grant, the Trustee shall continue to make disbursements from the Notes Construction Trust Fund.

Five (5) days prior to any interest payment date on the Notes (excepting the maturity date of the Notes) to the extent that sufficient moneys are not available in the Notes Debt Service Fund to pay the interest on the Notes as the same shall become due, the Trustee shall transfer moneys from the Notes Construction Trust Fund to the Notes Debt Service Fund and apply such transferred moneys to such payment. Transfers from the Notes Construction Trust Fund to the Notes Debt Service Fund in connection with the maturity of the Notes shall be made pursuant to Sections 4.04 and 4.07.

After completion of the Project, as certified by the Consulting Engineers, the Trustee shall transfer any moneys remaining in the Notes Construction Trust Fund to the Notes Debt Service Fund and hold such transferred moneys for the retirement of the Notes. Upon payment in full of the Notes and the interest thereon, all moneys remaining in the Notes Construction Trust Fund or any other fund or account established hereunder shall be transferred by the Trustee to the Grantee and may be used by the Grantee for any lawful

purpose of the System, and to the extent not needed for such purposes, shall be deposited in the Series 1989 A Bonds Reserve Account and the Reserve Account for the Series 1989 B Bonds equally, to the respective requirements therefor, and thereafter in the Subordinate Bonds Reserve Account.

Section 4.04. Notes Debt Service Fund. The Trustee shall segregate all funds and securities in the Notes Debt Service Fund from other deposits and funds of the Trustee and other deposits and funds of the Issuer and the Grantee, including the Notes Construction Trust Fund. The earnings on the Notes Debt Service Fund shall be transferred upon receipt to the Notes Construction Trust Fund. Except for such earnings, all moneys in the Notes Debt Service Fund, until payment in full of all principal and interest owing on the Notes at their maturity, shall be held in trust for the Holders of the Notes and neither the Issuer nor the Grantee shall have any rights with respect thereto except to receive the balance therein after payment of the Notes and the interest thereon and the charges, if any, of the Trustee, the Registrar and the Paying Agent.

At or prior to any interest payment date on the Notes, as shall be reasonably requested by the Paying Agent, the Trustee shall transfer from the Notes Debt Service Fund to the Paying Agent in immediately available funds the amount of interest on the Notes then owing. In the event the funds on deposit in the Notes Debt Service Fund are insufficient to pay any interest on the Notes coming due, the Trustee shall transfer moneys as needed from the Notes Construction Trust Fund to make up such deficiency; provided, that, the Trustee shall transfer moneys at maturity only in accordance with Section 4.07.

At or prior to the maturity date of the Notes, the Trustee shall transfer from the Notes Debt Service Fund to the Paying Agent in immediately available funds the amount necessary to pay the entire principal amount of the Notes.

Section 4.05. Application of Note Proceeds. From the moneys received from the sale of the Notes originally issued hereunder, the Trustee shall make the following deposits:

A. The sum of $275,000, plus all interest accrued on the Notes from the date thereof to the date of delivery to the Original Notes Purchaser (total of $275,000), which total amount is sufficient to pay interest on the Notes until the maturity thereof but which is not more than is needed to pay interest on the Notes for a year after completion of the Project, shall be deposited in the Notes Debt Service Fund.

B. The remaining moneys derived from the sale of the Notes, being $1,297,000, shall be deposited in the Notes Construction Trust Fund.

Section 4.06. Grant Receipts. All Grant Receipts received by the Grantee prior to the maturity of the Notes shall be promptly paid to the Trustee. The Trustee shall deposit the first $5,757,020 in Grant Receipts received into the Notes Construction Trust Fund. Thereafter, the Trustee shall deposit the Grant Receipts into the Notes Debt Service Fund. Any Grant Receipts remaining or received after payment of the Notes in full shall be applied to Costs of the Project, or, if the Project is then complete, as certified by the Consulting Engineers, such Grant Receipts may be withdrawn by the Grantee and used for any lawful purpose of the System. In the event the Notes are not paid when due, all Grant Receipts thereafter received by the Grantee shall be deposited in the Notes Debt Service Fund.

Section 4.07. Letter of Credit, Surplus Revenues and Other Moneys. In the event that there are not funds in the Notes Debt Service Fund 5 days prior to the maturity date of the Notes originally issued hereunder, sufficient to pay, at maturity, the entire principal of and interest on the Notes, the Trustee shall draw upon the Letter of Credit in an amount, the net proceeds of which will be sufficient to make up such deficiency, to the maximum amount permitted to be drawn under the Letter of Credit. The net proceeds of such draw shall be deposited by the Trustee in the Notes Debt Service Fund. Following such draw and the deposit of such net proceeds into the Notes Debt Service Fund if the amount therein is still insufficient to pay, at maturity, the entire principal of and interest on the Notes, the Grantee shall deposit into the Notes Debt Service Fund Surplus Revenues to the extent necessary. If such amount in the Notes Debt Service Fund is still insufficient following the deposit of all Surplus Revenues therein, the Trustee shall transfer from the Notes Construction Fund to the Notes Debt Service Fund such amount as shall make the amount in the Notes Debt Service Fund sufficient for such purpose. If the funds are still insufficient, the Grantee shall directly deposit any subsequent Surplus Revenues or Grant Receipts received into the Notes Debt Service Fund.

Section 4.08. Grantee Reimbursement of Issuer. The Grantee shall promptly reimburse the Issuer for all costs and expenses incurred by the Issuer in connection with the performance by the Issuer of its obligations hereunder, including, but not limited to any costs and expenses which may be incurred by the Issuer as a result of a draw under the Letter of Credit or the issuance of refunding notes.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE

Section 5.01. Investments. The Trustee shall invest and reinvest any moneys held as a part of the funds and accounts created by this Indenture at the written direction of the Grantee in the Investment Agreement to the fullest extent possible under applicable laws, this Indenture, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided in Article IV (pursuant to which earnings on the Notes Debt Service Fund are transferred to the Notes Construction Trust Fund), any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount or at par if such investment is held in the "Consolidated Fund." To the extent permitted under the Investment Agreement, the Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Trustee shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 5.02. Restrictions as to Arbitrage Bonds. The Issuer and Grantee hereby covenant, and hereby so instruct the Trustee, that they shall not permit at any time or times any of the proceeds of the Notes or any other funds of the Issuer or the Grantee to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Note to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended from time to time, and regulations promulgated thereunder (the "Code") and Authorized Officers of the Issuer and Grantee shall deliver a joint certificate, based upon this covenant, with regard thereto to the Original Notes Purchaser.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Event of Default. Each of the following events shall constitute an "Event of Default" with respect to the Notes:

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

(ii) If default occurs in the Issuer's or Grantee's observance of any of the covenants, agreements or conditions on the part of either relating to the Notes or in this Indenture or any agreement supplemental hereto or in the Notes contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer and the Grantee by the Trustee; the Trustee may give such notice in its discretion and, subject to the provisions of Section 7.03 hereof, shall give such notice at the written request of the Holders of not less than 10% in aggregate principal amount of the Notes then Outstanding; or

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

The Trustee shall, within 60 days of giving written notice of default as provided by Subsection (ii) of this section or within 60 days of such Event of Default, mail by first class United States mail, postage prepaid, a copy of such written notice of default or notice of such Event of Default to each Noteholder, as indicated by the books maintained by the Registrar.

An "Event of Default" with respect to the Bonds or the BANs (as described in the Grantee Resolution or the indenture for the BANs) shall not constitute an Event of Default with respect to the Notes and vice versa.

Section 6.02. Enforcement by Trustee. Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Notes at such time Outstanding shall, upon being satisfactorily indemnified as provided in Section 7.03 hereof, exercise in its own name any or all of the powers of the Noteholders under Section 6.04 and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Noteholders, including the right to require the Issuer or the Grantee to perform their duties under the Act and this Indenture;

(C) Bring suit upon the Notes;

(D) By action at law or bill in equity require the Issuer or the Grantee to account as if they were the trustee of an express trust for the Noteholders; and

(E) By action at law or bill in equity enjoin any acts of the Issuer or Grantee in violation of this Indenture or the rights of the Noteholders.

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

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

Section 6.03. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Noteholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate pending such proceedings, with such powers as the court making such appointment shall confer, subject to the rights of any owners of the Bonds and the BANs.

Section 6.04. Enforcement by Noteholders. Any Holder of an Outstanding Note may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights, including those specified in Section 6.02 hereof, provided that, prior to resorting to any court of law or to any other legal process, either (i) such Holder has given written notice to the Issuer, the Grantee and the Trustee specifying the Event of Default to be complained of and requesting the Trustee to take appropriate action, has offered to indemnify the Trustee for its expenses in taking such action, and the Trustee has failed to act within a reasonable time, or (ii)

such Holder has obtained the written consent of the Trustee to the institution of the action, suit or proceeding proposed, and such action, suit or proceeding is brought for the ratable benefit of all Noteholders.

Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 6.05. Possession of Notes by Trustee not Required. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Notes may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Notes and any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Notes.

Section 6.06. Restoration of Issuer, Grantee and Trustee. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Grantee and the Trustee shall be restored to their former positions and rights hereunder, and all rights and remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 6.07. Waiver of Event of Default. The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of a majority in aggregate principal amount of the Notes then Outstanding; provided, however, that there shall not be waived any default in the payment of (i) the principal of any Outstanding Note at the stated maturity or (ii) any interest when due on any Note.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Noteholder, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 6.08. Right to Enforce Payment of Notes Unimpaired. Nothing in this article shall affect or impair the right of any Noteholder to enforce the payment of the principal of or interest on his Note or the obligation of the Issuer to pay the principal of and interest on each Note to its Holder when due.

ARTICLE VII

FIDUCIARIES

Section 7.01. Appointment of Trustee; Acceptance of Trustee. The Trustee accepts and agrees to execute the trusts and duties imposed upon it by this Indenture, but only upon the terms and conditions set forth herein.

Section 7.02. Paying Agent and Registrar. The First Huntington National Bank, Huntington, West Virginia, is hereby initially appointed as Paying Agent and Registrar for the Notes, and said bank shall evidence acceptance of such appointment by entering into an agreement setting forth the rights and obligations of the Registrar and Paying Agent, in form satisfactory to the Issuer and the Grantee, provided that, the Issuer and the Grantee may, from time to time, appoint another bank as Registrar or Paying Agent, subject to the requirements of Section 7.12 hereof.

Section 7.03. Responsibilities of Fiduciaries. The recitals of fact in this Indenture shall be taken as statements of the Issuer and the Grantee, and the Fiduciaries shall not be responsible for their accuracy. The Fiduciaries shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of this Indenture by the Issuer or the Grantee or of any Notes by the Issuer. The Noteholders shall indemnify any Fiduciary for any acts taken which may involve it in expense or liability or the institution or defense of any action or suit in respect of this Indenture or the Notes or an advance of any of its own moneys. Notwithstanding the foregoing, the Registrar shall be responsible for any representations in its certificate of authentication and registration on the Notes.

The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Any provision of this Indenture relating to action taken or to be taken by any Fiduciary or to evidence upon which such Fiduciary may rely shall be subject to the provisions of this section.

Section 7.04. Evidence on Which Fiduciary may Act. Except as otherwise provided by Section 10.01 hereof, a Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever a Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, but in its discretion such Fiduciary may instead accept other evidence of such fact or matter.

Section 7.05. Compensation and Expenses. The Grantee shall pay to any Fiduciary from time to time reasonable compensation for all services, and also reimburse its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in the performance of its duties hereunder. The Issuer and Grantee shall indemnify (but only from the sources pledged for payment of the Notes) and save any Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties and which are not due to its own negligence, default or willful misconduct.

Section 7.06. Certain Permitted Acts. A Fiduciary may become the owner of or may deal in Notes as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, such Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Noteholders or effect or aid in any reorganization growing out of the enforcement of the Notes or this Indenture, whether or not any such committee shall represent the Holders of a majority in principal amount of the Notes Outstanding.

Section 7.07. Resignation of Trustee. The Trustee may at any time resign and be discharged of its duties and obligations under this Indenture by giving not less than 60 days written notice to the Issuer, the Grantee, the Holders of the Notes, the Registrar and the Original Notes Purchaser, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or Noteholders, in which event such resignation shall take effect immediately.

Section 7.08. Removal. The Trustee may be removed at any time by the Holders of a majority in principal amount of the Notes then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by such

Noteholders or by their attorneys duly authorized in writing and delivered to the Issuer and the Grantee. Copies of each such instrument shall be delivered by the Grantee to the Trustee.

Section 7.09. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer or court shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Notes then Outstanding by an instrument or concurrent instruments in writing signed by such Noteholders or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Issuer, the Grantee and the predecessor Trustee. Pending such appointment, the Grantee shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by such Noteholders. The Grantee shall, by registered or certified mail, mail notice of any such appointment to the Holders of the Notes at the address shown for each such Holder of the registry books maintained by the Registrar within 20 days after such appointment. Any successor Trustee appointed by the Grantee shall, immediately and without further act, be superseded by a Trustee appointed by such Noteholders. If in a proper case no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the Issuer and the Grantee written notice of resignation or after the occurrence of any other event requiring such appointment, the Trustee or any Noteholder may apply to any court of competent jurisdiction to appoint a successor. Any Trustee appointed under the provisions of this section shall be a bank, trust company or national banking association doing business and having its principal office in the State, having trust powers and authorized to perform the duties imposed upon it by this Indenture and insured by FDIC.

Section 7.10. Transfer of Rights and Property to Successor. Any predecessor Trustee shall deliver all records and pay over, assign and deliver any moneys and Qualified Investments or assets of the Trust Estate held by it to its successor.

Section 7.11. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act; provided, however, that such

company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 7.09.

Section 7.12. Additional and Successor Paying Agents and Registrars. A. The Grantee may at any time, with the approval of the Issuer and the Original Notes Purchaser and pursuant to Section 9.01 hereof, appoint one or more other Paying Agents having the qualifications hereinafter set forth as an additional or successor Paying Agent and appoint another Registrar, having the qualifications hereinafter set forth, as a successor Registrar.

B. Any Paying Agent or the Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days written notice to the Issuer, the Grantee, the Trustee and the other Paying Agents, if any. Any Paying Agent or the Registrar may be removed at any time by an instrument filed with such Paying Agent or the Registrar, as the case may be, and the Trustee and signed by the Grantee.

Any successor or additional Paying Agent and any successor Registrar must be a bank, trust company or national banking association authorized by law to perform all the duties imposed upon it by the Indenture. Such successor or additional Paying Agent or successor Registrar shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Grantee a written acceptance thereof.

C. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or, if there be no successor, to the Trustee. In the event of the resignation or removal of the Registrar, such Registrar shall deliver the registration books of the Issuer to its successor, or, if there be no successor, to the Trustee. If the position of Paying Agent or Registrar shall become vacant for any reason, the Grantee shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent or the Registrar and acceptable to the Issuer to fill such vacancy; provided, however, that, if the Grantee shall fail to appoint such Paying Agent or Registrar within said period, the Trustee shall, in its discretion, make such appointment or serve as such.

D. Any bank, trust company or national banking association with or into which any Paying Agent or the Registrar may be merged or consolidated, or to which the assets and business of such Paying Agent or Registrar may be sold, shall be deemed the successor of such Paying Agent or Registrar, as the case may be, for the purposes of this Indenture.

E. Notice of the appointment of successor or additional Paying Agents or fiscal agents or of a successor Registrar shall be given in the same manner as provided by Section 7.09 hereof with respect to the appointment of a successor Trustee.

F. All moneys received by the Registrar or Paying Agents shall, until used or applied as provided in this Indenture, be held in trust for the purposes for which they were received.

ARTICLE VIII

DEFEASANCE; DISCHARGE OF INDENTURE

Section 8.01. Defeasance of Notes; Discharge of Indenture. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Notes the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then, this Indenture and the pledges of the Grant Receipts, the Surplus Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer and the Grantee on behalf of the Holders of the Notes made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

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

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures not Requiring Consent of Noteholders. The Issuer, the Grantee and the Trustee may without the consent of, or notice to, any of the Noteholders enter into an indenture or indentures supplemental to this Indenture, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(A) To specify, determine or authorize any matters and things concerning the Notes or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(B) To authorize a series of refunding notes or other obligations and to specify, determine or authorize any matters and things concerning any such refunding notes or other obligations or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(C) To impose additional covenants or agreements to be observed by the Issuer or the Grantee which are not contrary to or inconsistent with this Indenture;

(D) To impose other limitations or restrictions upon the Issuer or the Grantee;

(E) To surrender any right, power or privilege reserved to or conferred upon the Issuer or the Grantee by this Indenture;

(F) To confirm, as further assurance, any pledge of or lien upon the Grant Receipts or any other moneys, securities or funds;

(G) To cure any ambiguity, omission or defect in this Indenture;

(H) To modify or amend any of the terms or provisions of this Indenture if no Notes are Outstanding at the time of such modification or amendment;

(I) To modify or amend any of the terms or provisions of this Indenture, provided that such modification by its terms shall not take effect until all Notes Outstanding on the date of adoption of such modification or amendment shall have ceased to be Outstanding; and

(J) To modify or amend any of the terms or provisions of this Indenture as may be necessary to maintain the excludability from gross income for federal income tax purposes of interest on the Notes.

Section 9.02. Amendment by Consent of Registered Owners. Except for the supplemental indentures allowed under Section 9.01 hereof, this Indenture or any indenture supplemental hereto and the rights and obligations of the Issuer, the Grantee, the Trustee and the Noteholders may be modified or amended only with the written consent of the Holders of 60% in aggregate principal amount of the Notes then Outstanding, which must be filed with the Trustee before any such modification or amendment may become effective. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Note without the express written consent of the Holder of such Note, nor reduce the percentage of Notes required for consent to any such modification or amendment.

ARTICLE X

MISCELLANEOUS

Section 10.01. Evidence of Signatures of Noteholders and Ownership of Notes. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by Noteholders may be in one or more instrument of similar tenor, and shall be signed or executed by such Noteholders in person or by their attorneys duly authorized in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, or (ii) the ownership by any person of any Notes shall be sufficient for any purpose of this Indenture if made in the following manner, or in any manner satisfactory to the appropriate Fiduciary, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

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

C. The amount of Notes owned by any person executing any such instrument as a Noteholder, the numbers and other identification thereof, and the date of his ownership of such Notes may be proved by a certificate, executed by the Registrar showing that at a date therein mentioned such person was the owner of such Notes as shown on the registry books maintained by the Registrar. Any request, consent or other instrument executed by the Holder of any Note shall bind all future Holders of such Note or any replacement or replacements therefor in respect of anything done or suffered to be done hereunder by the Issuer or the Trustee in accordance therewith.

Section 10.02. Preservation and Inspection of Documents. All reports, certificates, statements and other documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer, the Grantee or any Noteholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Indenture shall be discharged as provided in Section 8.01 hereof.

Section 10.03. Cancellation of Notes. All Notes purchased or paid shall, if surrendered to the Issuer, be cancelled and delivered to the Registrar, or, if surrendered to the Registrar, be cancelled by it. No such Notes shall be deemed Outstanding under this Indenture and no Notes shall be issued in lieu thereof. All such Notes shall be cancelled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer and the Grantee.

Section 10.04. Failure to Present Notes. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Notes which remain unclaimed for 1 year after the date on which such Notes have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Trustee or said Paying Agent to the Grantee as its absolute property and free from trust, and the Trustee or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Notes shall look only to the Grantee for the payment of such Notes; provided, however, that, before making any such payment to the Grantee, the Trustee or said Paying Agent shall at the expense of the Grantee cause to be mailed by registered or certified mail to the Holders of such Notes, at their respective addresses listed on the registry books maintained by the Registrar, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the data of mailing of such notice, the balance of such moneys then unclaimed will be paid to the Grantee.

Section 10.05. Notices, Directions, Demands and Requests. Unless otherwise expressly provided, all notices, directions, demands and requests to be given or made hereunder to or by the Issuer, the Grantee, the Trustee, the Original Notes Purchaser or the Consulting Engineers shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

A. Issuer:

The County Commission of Wayne County
Wayne County Courthouse
Wayne, West Virginia 25570
Attention: President

B. Grantee:

Northern Wayne County Public Service District
4444 Fifth Street Road
Lavalette, West Virginia 25535
Attention: Herman Wellman

C. Trustee:

The First Huntington National Bank
P. O. Box 179
Huntington, West Virginia 25706
Attention: Trust Department

D. Consulting Engineers:

Regula Engineering, Inc.
1218 Fifth Avenue
Huntington, West Virginia 25701
Attention: Charles T. Regula

E. Original Notes Purchaser:

Scott & Stringfellow, Inc.
810 Main Street
P. O. Box 200
Lynchburg, Virginia 24505
Attention: Patricia A. Cooper

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

Section 10.06. No Personal Liability. No officer or employee of the Issuer or the Grantee shall be individually or personally liable for the payment of the principal of or the interest on any Note, but nothing herein contained shall relieve any such official or employee from the performance of any official duty provided by law or this Indenture.

Section 10.07. Law Applicable. The laws of the State shall govern the construction of this Indenture and of all Notes issued hereunder.

Section 10.08. Term of Indenture. This Indenture and the obligations of the Issuer and Grantee to the Trustee shall terminate on the date of payment in full of the principal of and interest on the Notes; however, the obligations of the Issuer and the Grantee to each other, and the status of this Indenture as an "intergovernmental agreement" pursuant to the Intergovernmental Relations Act shall expire on July 1, 1989, but may be renewed annually on or before each July 1 by resolution of the Issuer and the Grantee approving such renewal.

Section 10.09. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Grantee, the Trustee, the Registrar, the Paying Agent, the Holders of the Notes and the Original Notes Purchaser any right, remedy or claim under or by reason of this Indenture. All the covenants, stipulations, promises and agreements contained in this Indenture by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Grantee, the Trustee, the Registrar, the Paying Agent, the Holders of the Notes and the Original Notes Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Indenture shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Indenture.

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, THE COUNTY COMMISSION OF WAYNE COUNTY has caused this Indenture to be executed on its behalf by its President and has caused the seal of the Issuer to be hereunto affixed and duly attested by its Clerk; NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT has caused this Indenture to be executed on its behalf by its Chairman and has caused the seal of the Grantee to be hereunto affixed and duly attested by its Secretary; and THE FIRST HUNTINGTON NATIONAL BANK, as Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer and its corporate seal to be hereunto affixed and duly attested, all as of the date and year first above written.

THE COUNTY COMMISSION OF WAYNE COUNTY

[SEAL]

By: Beard E Booth
President

ATTEST:

By: Robert E. Pasley
Clerk

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

[SEAL]

By: Herman D Hellman
Chairman

ATTEST:

By: Steven L. Gibson
Secretary

THE FIRST HUNTINGTON NATIONAL BANK

[SEAL]

By: Ron W. Ferl
Its: Senior Trust Officer

ATTEST:

By: Andrea Diggons Wright
Its: ~~Trust Administrative Officer~~ Assistant Trust Officer

APPROVED BY:

Attorney General of the State
of West Virginia

STATE OF WEST VIRGINIA,

COUNTY OF WAYNE, to-wit:

I, Samme L. Gee, a Notary Public in and for the County and State aforesaid, do hereby certify that Pearl E. Booth, who signed the foregoing writing bearing date the 15th day of Feb, 1989, as President of The County Commission of Wayne County, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and seal this 30th day of Jan, 1989.

My commission expires Feb 14, 1994.

Notary Public

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
SAMME L. GEE
1609 Quarrier Street
Charleston, West Virginia 25311
My Commission Expires Feb. 14, 1994

STATE OF WEST VIRGINIA,

COUNTY OF WAYNE, to-wit:

I, Samme L. Gee, a Notary Public in and for the County and State aforesaid, do hereby certify that Herman E. Wellman, who signed the foregoing writing bearing date the 15th day of Feb, 1989, as Chairman of The Northern Wayne County Public Service District, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and seal this 30th day of Jan, 1989.

My commission expires Feb 14, 1994.

Notary Public

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
SAMME L. GEE
1609 Quarrier Street
Charleston, West Virginia 25311
My Commission Expires Feb. 14, 1994

STATE OF WEST VIRGINIA,

COUNTY OF CABELL, to-wit:

I, _____, a Notary Public in and for the County and State aforesaid, do hereby certify that _____, who signed the foregoing writing bearing date the __ day of _____, 1989, as _____ of The First Huntington National Bank, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and seal this __ day of _____, 1989.

My commission expires _____.

_____
Notary Public

The foregoing instrument was prepared by Lee O. Hill, Esq. of Jackson & Kelly, P. O. Box 553, Charleston, West Virginia 25322.

EXHIBIT A

[FRONT OF NOTE]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE COUNTY COMMISSION OF WAYNE COUNTY (West Virginia)
SEWERAGE SYSTEM GRANT ANTICIPATION NOTE, SERIES 1989
(NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT PROJECT)

NO. R-_____ $_____

CUSIP NO:	INTEREST RATE:	MATURITY DATE:	NOTE DATE:
_____	_____	August 15, 1991	February 15, 1989

PRINCIPAL AMOUNT: _____
REGISTERED OWNER: _____

KNOW ALL MEN BY THESE PRESENTS: That THE COUNTY COMMISSION OF WAYNE COUNTY, West Virginia, a public corporation organized and existing under the laws of the State of West Virginia, acting for and on behalf of Wayne County, West Virginia, a political subdivision of said State (the "Issuer"), for value received, hereby promises to pay (but only from the sources pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, as hereinafter provided, the Principal Amount identified above, and to pay interest at the annual Interest Rate identified above semiannually on February 15 and August 15 of each year, from the interest payment date next preceding the date of registration of this Note (unless this Note is registered as of an interest payment date, in which event it shall bear interest from the date of registration hereof, or unless this Note is registered prior to August 15, 1989, in which event it shall bear interest from the Note Date specified above) until payment of such principal sum is made in full. The principal hereof is payable in any coin or currency which, on the date of payment of principal, is legal tender for the payment of public and private debts in the United States of America upon surrender of this Note at the office of First Huntington National Bank, Huntington, West Virginia, as registrar and paying agent (the "Registrar"). Interest hereon is payable to the Registered Owner hereof as shown on the registry books maintained by the Registrar as of the 1st day of the month of such interest payment (the "Record Date"), by check or draft mailed to the address shown on such registry books or, in the case of a Registered Owner of

$500,000 of more of the Notes, by wire transfer to a domestic bank account specified in writing to the Registrar at least 5 days prior to such interest payment date by such Registered Owner.

REFERENCE IS MADE TO REVERSE OF THIS NOTE, WHICH SHALL BE INCLUDED AS IF SET FORTH ON THE FACE HEREOF.

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 the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Note and the Notes of the issue of which this Note is one is not in violation of any constitutional, statutory or charter limitation of indebtedness.

All provisions of the Indenture, the Issuer Resolution and the Grantee Resolution and 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.

IN WITNESS WHEREOF, THE COUNTY COMMISSION OF WAYNE COUNTY has caused this Note to be signed by the facsimile signature of its President and its corporate seal to be imprinted hereon and attested by the facsimile signature of its Clerk in the manner provided in the Indenture, and has caused this Note to be dated as of the Note Date specified above.

THE COUNTY COMMISSION OF WAYNE COUNTY

[SEAL]

_____

President

ATTEST:

_____

Clerk

[REVERSE OF GAN]

This Note is one of an issue of Sewerage System Grant Anticipation Notes, Series 1989 (Northern Wayne County Public Service District Project) (the "Notes") in the aggregate principal amount of $1,600,000, of like tenor and effect, except as to number and denomination, issued (i) to temporarily finance a portion of the costs of the construction and acquisition of certain new sewerage facilities and all necessary appurtenances (the "Project") for Northern Wayne County Public Service District, a public service district in Wayne County, West Virginia (the "Grantee") (the Project, together with any further improvements, betterments and extensions thereto, is hereinafter referred to as the "System") pending receipt by the Grantee of certain grant proceeds from the United States Environmental Protection Agency (as received after the date of issuance of the Notes, together with any other grant receipts which may be received in aid of the Project, the "Grant Receipts"); (ii) to pay interest on the Notes until the maturity thereof, which is less than one year after the estimated date of completion of the Project; and (iii) to pay certain costs of issuance thereof and related costs, and is issued in anticipation of such Grant Receipts. This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 13, Article 2C of the Code of West Virginia, 1931, as amended (the "Bond Act"), and Chapter 8, Article 23 of the Code of West Virginia, 1931, as amended (the "Intergovernmental Relations Act"), and a Bond Resolution duly adopted by the Issuer on January 30, 1989 (the "Issuer Resolution"), and is issued and secured pursuant to the terms of a Trust Indenture (the "Indenture") dated as of February 15, 1989, by and among the Issuer, the Grantee and The First Huntington National Bank, Huntington, West Virginia, as trustee (the "Trustee"), and is subject to all the terms and conditions of said Indenture. The Notes are not subject to redemption prior to maturity. The Indenture also constitutes an Intergovernmental Agreement and a Loan Agreement between the Issuer and the Grantee. The Grantee's obligations with respect to the Notes are made pursuant to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended and a Bond and Note Resolution adopted by the Grantee on January 30, 1989, as supplemented by Supplemental Resolutions adopted by the Grantee on January 30, 1989 (together, the "Grantee Resolution"), in addition to the Indenture and are further evidenced by a promissory note issued by the Grantee to the Issuer.

This Note is a special obligation of the Issuer, secured by the Indenture and payable solely from (i) the Grant Receipts, unexpended Notes proceeds and other moneys held in the Notes Debt Service Fund established by the Indenture; (ii)

the net proceeds of a draw by the Trustee under that certain letter of credit obtained for the benefit of the Trustee in the amount of $770,000, more fully described in the Indenture (the "Letter of Credit"); (iii) the net proceeds of any refunding notes or other obligations issued for the purpose of paying the principal of or interest on the Notes; (iv) the Surplus Revenues, if any, as such term is defined in the Indenture; (v) the Grant Receipts and other moneys, including investment income and unexpended Note proceeds, held in the Notes Construction Trust Fund established by the Indenture; and (vi) all moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security for the Notes under the Indenture to the Trustee by the Issuer, the Grantee or by anyone in their behalf, or with their written consent.

If, 5 days prior to the maturity hereof, the funds deposited for payment are insufficient to pay the entire principal of and interest on the Notes at maturity, the Trustee is required to draw upon the Letter of Credit in an amount not to exceed $770,000, equal to the sum of such deficiency plus the cost to the Issuer of issuing its refunding notes to evidence the Issuer's obligation to repay such draw.

The interest on this Note is payable from certain proceeds of the sale hereof, to be held for such purpose by the Trustee. All moneys received from the sale of the Notes shall be applied solely to the payment of certain costs of the Project, as defined in the Indenture, including payment of any indebtedness incurred by the Issuer for such purposes which is required to be paid from the moneys received from the sale of such Notes, to the appurtenant Notes Debt Service Fund interest account and to the payment of certain costs of issuance and related costs, and the Indenture creates a lien upon such moneys, until so applied, in favor of the Registered Owners of the Notes.

This Note does not constitute a corporate indebtedness of the Issuer or the Grantee within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer or the Grantee be obligated to pay the same or the interest hereon except from the sources specified above. The general funds of the Issuer or the Grantee are not liable, and neither shall this Note nor the interest hereon be a charge against the general credit or taxing powers (if any) of the Issuer or the Grantee.

Under the Indenture, the Issuer and Grantee have entered into certain covenants on behalf of the Registered Owners of the Notes, for the terms of which reference is made to said Indenture. The Issuer and Grantee have covenanted not

to issue any obligations (except for obligations issued solely for the purpose of completing the Project which may have a lien on the Net Revenues, as such term is defined in the Indenture) with a lien on or otherwise payable from any source of payment pledged for the Notes prior to or on a parity with the lien on behalf of the Notes so long as any of the Notes are outstanding. Remedies provided the Trustee on behalf of the Registered Owner of this Note, and to said Registered Owner, are exclusively as provided in the Indenture, to which reference is here made for a detailed description thereof.

The Notes of the issue of which this Note is one are issuable only as fully registered Notes in denominations of $5,000 and any integral multiple thereof. Registration of this Note may be transferred, or this Note may be exchanged, at the office of the Registrar by the Registered Owner hereof in person or by his attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Note. Upon such transfer or exchange a new Note or Notes, of authorized denomination or denominations, for the like aggregate principal amount, shall be issued, to the transferee in the case of transfer, in exchange herefor.

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

This Note shall not be entitled to any benefit under the Issuer Resolution, the Grantee Resolution or the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been manually signed by the Registrar.

This Note has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

REGISTRAR'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the fully registered Notes described in the within-mentioned Issuer Resolution and Indenture.

Date of Authentication: _____

The First Huntington National Bank,
Registrar

By _____
Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Note and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Note on the books kept for registration of the within Note with full power of substitution in the premises.

Dated: _____

_____

Signature Guaranteed: _____

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

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
NOTE
$1,600,000
February 15, 1989

For value received, the undersigned Northern Wayne County Public Service District, a political subdivision of the State of West Virginia (the "Borrower"), does hereby promise to pay to the order of The County Commission of Wayne County, a public corporation acting for and on behalf of Wayne County, West Virginia (the "County"), the principal sum of $1,600,000 on August 15, 1991, together with interest on the unpaid principal balance outstanding on this Note at an annual rate of 6.875 percent, payable on February and August 15 of each year, beginning August 15, 1989. Such principal and interest shall be payable by direct deposit to The First Huntington National Bank, as trustee (the "Trustee") under the Intergovernmental Agreement, Loan Agreement and Trust Indenture dated as of February 15, 1989, among the Borrower, the County and the Trustee (the "Agreement"), all as set out in the Agreement. All payments on account of the indebtedness evidenced hereby shall be applied first to interest and then to the reduction of principal.

This Note evidences the obligations of the Borrower pursuant to the terms of the Agreement, and payment of this Note is secured pursuant to the Agreement. The Agreement and the other instruments, documents and agreements securing, evidencing or otherwise pertaining to the loan evidenced by this Note are herein collectively referred to as the "Collateral Documents."

In the event default shall be made in the payment of any installment of the principal of or interest on this Note as and when due, or any part thereof, or if there shall be a breach of or a default in the performance of any of the terms, conditions, warranties, covenants and agreements of any of the Collateral Documents, then, upon the expiration of any applicable grace period, the County may exercise the rights and remedies provided for in the Collateral Documents and under applicable law.

Every party to this Note, whether as principal, endorser, guarantor, surety or otherwise, jointly and severally waives presentment, demand, protest and notice of dishonor

[SEAL] NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

By _____
Its Chairman

ATTEST: By _____
Its Secretary

TRUST INDENTURE

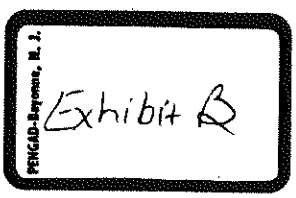
By and Between

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

and

THE FIRST HUNTINGTON NATIONAL BANK, as Trustee

February 15, 1989



NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

TRUST INDENTURE

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EXHIBIT A

EXHIBIT B

TRUST INDENTURE

THIS TRUST INDENTURE, dated as of February 15, 1989, by and between NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia, herein called the "Issuer," and THE FIRST HUNTINGTON NATIONAL BANK, Huntington, West Virginia, a national banking association authorized to accept and execute trusts and covenants of the character herein set forth, herein called the "Trustee."

WHEREAS, capitalized words and phrases used in these Preambles and the Granting Clauses below and not otherwise defined in these Preambles or said Granting Clauses shall have the respective meanings given them in a Bond and Note Resolution adopted by the Governing Body of the Issuer on January 30, 1989, as supplemented by a supplemental resolution adopted by the Governing Body of the Issuer on January 30, 1989, and by Section 1.01 of this Indenture.

WHEREAS, by the Resolution, the Governing Body of the Issuer duly authorized construction and acquisition of the Project at an estimated cost of $12,530,320, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed in the office of the Secretary of the Governing Body;

WHEREAS, all necessary licenses, permits and/or approvals of governmental agencies and departments have been obtained for the construction and acquisition of the Project and operation of the System to the extent obtainable, and, to the extent not yet obtainable, no difficulty is expected by the Issuer or the Consulting Engineers in obtaining such licenses, permits and/or approvals;

WHEREAS, the Issuer contemplates the issuance of its Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series, in an aggregate principal amount not to exceed $3,500,000, contemporaneously with the issuance of its BANs;

WHEREAS, the Issuer contemplates the issuance of its Sewerage System Revenue Bonds, Series 1989 B, in the aggregate principal amount of $1,950,000 pursuant to a letter of commitment from the United States Department of Agriculture, Farmers Home Administration;

WHEREAS, it is deemed necessary for the Issuer to issue its BANs originally issued hereunder, in the aggregate principal amount of $1,850,000, for the purpose of temporarily

financing a portion of the acquisition and construction of the Project pending issuance of or receipt of the proceeds of the FMHA Bonds;

WHEREAS, the Issuer has determined, as set forth in the Resolution, that the Issuer shall issue the BANs and shall enter into this Indenture to secure the BANs in the manner set forth herein;

WHEREAS, the form of the BANs originally issued hereunder and the Trustee's certificate of authentication and registration to be endorsed thereon are all to be in substantially the forms as set forth in Exhibit A attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture or the Resolution or by the Supplemental Resolution or deemed necessary by the Trustee and the Issuer;

WHEREAS, all things necessary to make the BANs, when authenticated and registered by the Registrar and otherwise issued as in this Indenture provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid pledge and assignment of those funds pledged to the payment of the principal of and interest on the BANs and a valid pledge and assignment of the rights of the Issuer in the proceeds of the FMHA Bonds and other moneys, including investment income and unexpended BAN proceeds, held in the funds and accounts established by this Indenture, the net proceeds of any refunding notes or other obligations issued to pay all or a portion of the principal of or interest on the BANs and the Net Revenues of the System, subject to the respective liens of the Authority BANs and of the FmHA Bonds, have been done and performed;

WHEREAS, the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the BANs, subject to the terms thereof, have in all respects been duly authorized and will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

The Issuer, in consideration of the premises and the acceptance by the Trustee of the Trust Estate hereby created, of the purchase and acceptance of the BANs by the Original BANs

Purchaser and the Holders thereof and of other good and lawful consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the BANs according to their tenor and effect and to secure the performance and observance by the Issuer of all the covenants expressed or implied herein and in the BANs, has executed this Indenture and does hereby grant, bargain, sell, convey, pledge and assign the following to, and does hereby confirm and grant a security interest in the following in The First Huntington National Bank, as Trustee, and its successors in trust and assigns forever, all and singular the property hereinafter described, to wit:

FIRST GRANTING CLAUSE

All right, title and interest of the Issuer in and to the proceeds of the FmHA Bonds.

SECOND GRANTING CLAUSE

All right, title and interest of the Issuer in and to the other moneys, including investment income and unexpended BAN Proceeds, held in the funds and accounts established by this Indenture.

THIRD GRANTING CLAUSE

All right, title and interest of the Issuer in and to the net proceeds of any refunding notes or other obligations issued for the purpose of paying all or a portion of the principal of or interest on the BANs and the Net Revenues derived from the operation of the System subject to the respective liens of the Water Development Authority Bonds and FmHA Bonds.

FOURTH GRANTING CLAUSE

All moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security for the BANs hereunder to the Trustee by the Issuer or by anyone in its behalf or with its written consent.

SUBJECT TO THE TERMS HEREOF, TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, and the rights and privileges hereby conveyed, pledged and assigned by the Issuer, or intended so to be, unto the Trustee and its successors and assigns forever, in trust, nevertheless, for the equal and proportionate benefit, security and protection of each and every Holder of the BANs issued under and secured by this Indenture, without preference, priority or distinction as to the lien, benefit and protection hereof of one of such BANs over or from the others for any reason whatsoever except as herein otherwise expressly provided, so that each and all of such BANs shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby;

PROVIDED, HOWEVER, and these presents are upon the express condition, that, if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and interest on the BANs, according to the provisions set forth in the BANs and each of them, or shall provide for the payment of such BANs by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment thereof when and as authorized by the provisions hereof, including Section 8.01, and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the Trust Estate and rights hereby granted shall cease, terminate and become void; otherwise, this Indenture shall be and remain in full force and effect.

IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that the BANs originally issued hereunder are to be issued, authenticated, registered and delivered, and that the Trust Estate is to be held and applied, subject to the further covenants, conditions, uses and trusts hereinafter set forth, and the Issuer, for itself and its successors and assigns, does hereby covenant and agree to and with the Trustee and its respective successors and assigns in said trust, for the benefit of the Holders of such BANs, or any of them, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms used herein and not defined below shall have the meanings respectively set forth in Section 1.01 of the Resolution. In addition, the following terms shall have the following meanings in this Indenture, unless the context expressly requires otherwise:

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

"Administrator" means Anthony J. Danzo, who shall serve as Administrator for the Project in connection with the GANs.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in New York, New York, printed in the English language and customarily published on each business day of the Trustee, whether or not published on Saturdays, Sundays or legal holidays.

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

"BANs" or "BAN" means the $1,850,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, Series 1989, originally authorized by the Resolution to be issued hereunder.

"BAN Register" means the books kept at the principal office of the Registrar for the registration and transfer of the BANs, as provided by Section 2.08.

"BANs Repayment Account" means the Northern Wayne County Public Service District Sewerage System BANs Repayment Account established in Section 4.01.

"BAN Proceeds" means the proceeds received by the Trustee for the account of the Issuer from the sale of the BANs.

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

"Costs" or "Costs of the Project" means those costs described in Section 1.03(E) of the Resolution to be a part of the cost of construction and acquisition of the Project.

"Event of Default" means any occurrence or event specified in Section 6.01.

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

"Fiduciaries" means the Trustee, the Registrar and/or the Paying Agent, as required by the context.

"FmHA Bonds" means the series of sewerage system revenue bonds to be issued to the Government pursuant to the commitment therefor.

"FmHA Bond Proceeds" means the proceeds from the sale of the FmHA Bonds.

"GANs" means the $1,600,000 aggregate principal amount of Sewerage System Grant Anticipation Notes, Series 1989 (Northern Wayne County Public Service District Project) of The County Commission of Wayne County, West Virginia and/or the promissory note issued by the Issuer to said County Commission in connection therewith, as required by the context.

"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.

"Holder," "BAN Holder," "Holder of the BANs," "Registered Owner," "Owner" or any similar term means any person who shall be the registered owner of any Outstanding BAN.

"Indenture," regardless of whether preceded by the article "the" or "this," means this Indenture, as it may from time to time be supplemented or amended pursuant to Article IX.

"Original BANs Purchaser" means Scott & Stringfellow, Inc., a Virginia corporation, or any successor thereto as the original purchaser directly from the Issuer of the BANs originally issued hereunder.

"Outstanding," as of any particular date, describes all BANs theretofore and thereupon being authenticated and delivered except (i) any BAN cancelled by the Registrar at or prior to said date; (ii) any BAN for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be in trust hereunder and set aside for such payment; (iii) any BAN deemed to have been paid as provided in Article VIII; and (iv) for purposes of consents or other action by a specified percentage of BAN holders, any BAN registered to the Issuer.

"Paying Agent" means the Registrar and any other paying agent appointed by a supplemental indenture pursuant to Section 7.02.

"Project Construction Account" means the Northern Wayne County Public Service District Sewerage System Project Construction Account, established by Section 4.01.

"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 Investment Agreement entered by the Trustee at the direction of the Issuer upon delivery of the Notes;

(i) The West Virginia "consolidated Fund" managed by the West Virginia State Governing Body of Investments pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended; and

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

"Record Date" means the first (1st) day of the month of any interest payment on the BANs.

"Registrar" means the registrar for the BANs as appointed pursuant to Section 7.02 and any successor registrar appointed pursuant to Section 7.12.

"Resolution" means the Bond and Note Resolution adopted by the Governing Body of the Issuer on January 30, 1989, authorizing the issuance of the Water Development Authority Bonds, Authority BANs and the BANs and the execution and delivery of this Indenture, as supplemented and amended.

"Secretary" means the Secretary of the Governing Body.

"State" means the State of West Virginia.

"Trustee" means The First Huntington National Bank, a national banking association with its principal office in Huntington, West Virginia, its successors and assigns.

"Trust Estate" means the property, rights, moneys, securities and other amounts pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

"Water Development Authority Bonds" means two series of sewerage system revenue bonds contemplated to be issued by the Issuer to the West Virginia Water Development Authority to permanently finance a portion of the cost of acquisition and construction of the Project contemporaneously with the BANs, the lien on the Net Revenues of which bonds shall be prior to that of the BANs.

Additional terms and phrases are defined in this Indenture 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 the masculine, feminine or neutral gender shall include any other gender; and words importing persons include firms and corporations.

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

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

ARTICLE II

THE BANS

Section 2.01. Authorization and Terms of BANs. The BANs originally issued hereunder shall be designated "Sewerage System Bond Anticipation Notes, Series 1989." Such BANs shall be in the aggregate principal amount of $1,850,000; shall be dated February 15, 1989; shall bear interest from the date thereof, payable on February 15 and August 15 of each year, beginning August 15, 1989, at the rate of 6.75% per annum; shall mature on August 15, 1990; and shall not be subject to redemption or prepayment prior to maturity.

The BANs shall be issued in fully registered form only, in the denomination of $5,000 or any integral multiple thereof. The BANs shall be numbered from R-1 upward.

The BANs shall be payable as to principal upon surrender at the principal office of the Paying Agent 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. The interest on the BANs shall be payable by check or draft mailed to the Registered Owner at his address as it appears on the BANs Register as of the Record Date, or in the case of a holder of $500,000 or more of the BANs, by wire transfer to a domestic bank account specified in writing to the BANs Registrar at least five days preceding such interest payment date by such holder.

Section 2.02. Execution of BANs. The BANs shall be executed in the name of the Issuer by the facsimile or manual signatures of the Chairman and the Secretary, and the seal of the Issuer shall be impressed thereon; provided, that the authentication signature of the Registrar must be manual. In case any one or more of the officers who shall have signed or sealed any of the BANs shall cease to be such officer before the BANs so signed and sealed shall have been actually sold and delivered, such BANs may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such BANs had not ceased to hold such office. Any BANs may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such BANs shall hold the proper office, although at the date of such BANs such person may not have held such office or may not have been so authorized.

Section 2.03. Authentication and Registration. No BAN shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a

certificate of authentication and registration on such BAN shall have been duly dated and manually executed by the Registrar. Any such executed certificate of the Registrar upon any such BAN shall be conclusive evidence that such BAN has been authenticated, registered and delivered under this Indenture. The certificate of authentication and registration on any BAN shall be deemed to have been executed by it if signed by the Registrar, but it shall not be necessary that the same officer of the Registrar sign the certificate of authentication and registration on all of the BANs issued hereunder.

Section 2.04. Form of BANs. The BANs originally issued under this Indenture shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by reference, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture or the Resolution or by the Supplemental Resolution or deemed necessary by the Registrar, the Trustee and the Issuer.

Section 2.05. Delivery of BANs. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver the BANs to the Registrar, and the Registrar shall authenticate and register the BANs to be issued in the aggregate principal amount of $1,850,000 and, upon receipt of the documents set forth below by the Trustee and instructions from the Trustee, shall deliver them to the Original BANs Purchaser as directed by the Issuer and as hereinafter in this Section 2.05 provided.

Prior to the delivery by the Registrar of any of the BANs, there shall be filed with the Trustee and the Trustee shall certify to the Registrar as to the receipt:

(A) A copy, duly certified by the Secretary, of the Resolution authorizing the execution and delivery of this Indenture and the issuance and sale of the BANs;

(B) An original executed counterpart of this Indenture;

(C) A signed opinion of nationally recognized bond counsel to the effect that the BANs have been validly issued and that the interest on the BANs is excludable from gross income for federal income tax purposes;

(D) A request and authorization to the Registrar on behalf of the Issuer, signed by the Chairman, to authenticate, register and deliver the BANs to the Original BANs Purchaser upon payment to the Trustee, for the account of the Issuer, of a sum specified in such request, plus interest accrued thereon to the date of delivery, the proceeds of which payment shall be paid over to the Trustee and deposited to the credit of the funds and accounts specified in Article IV hereof.

Section 2.06. Negotiability, Transfer and Registration. Subject to the requirements of registration set forth below, the BANs 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 BANs, shall be conclusively deemed to have agreed that said BANs shall be incontestable in the hands of a bona fide holder for value.

So long as any of the BANs remains Outstanding, the Registrar shall keep and maintain the BANs Register for the registration and transfer of the BANs. The BANs shall be transferable only by the transfer of registration upon the BANs Register 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 Registrar duly executed by the Holder or his duly authorized attorney. The BANs may be exchanged for a BAN or BANs of other authorized denominations by the Holder thereof in person or by his attorney duly authorized in writing at the principal office of the Registrar.

In all cases in which the privilege of exchanging BANs or transferring a BAN is exercised, BANs shall be delivered in accordance with the provisions of this Indenture. All BANs surrendered in any such exchanges or transfers shall forthwith be cancelled by the Registrar. For every such exchange or transfer of BANs, the 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 exchange or transfer. The Issuer shall pay such charge for the transfer of any BAN. Any service charge of the Registrar incurred in the transfer of BANs, the cost of preparing each new BAN upon each transfer and any other expenses of said Registrar incurred in connection therewith shall be paid by the Issuer. The Registrar shall not be obligated to make any such exchange or transfer of BANs during the period beginning with the Record Date and ending on the applicable interest payment date.

Section 2.07. BANs Mutilated, Destroyed, Stolen or Lost. In case any BAN shall become mutilated or be destroyed, stolen or lost, the Issuer may, in the discretion of the Governing Body, authenticate and deliver a new BAN of like tenor as the BAN so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated BAN upon surrender and cancellation of such mutilated BAN or in lieu of and substitution for the BAN destroyed, stolen or lost and upon the Holder's furnishing the Trustee, the Registrar and the Governing Body and the proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Trustee may prescribe and paying such expenses as the Trustee may incur. The BANs so surrendered shall be cancelled by the Registrar. If such BAN shall have matured or be about to mature, instead of issuing a substitute BAN, the Issuer may pay the same, upon being indemnified as aforesaid, and, if such BAN be lost, stolen or destroyed, without surrender therefor.

Any such duplicate BAN issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the Issuer, whether or not the lost, stolen or destroyed BAN be at any time found by any one, and such BAN believed to have been, or which had been, lost, stolen or destroyed shall be cancelled. Such duplicate BANs shall be entitled to equal and proportionate benefits and rights as to lien on and source of security for payment from the proceeds of the FmHA Bonds or other obligations originally authorized for the purpose of refunding the BANs, and the Net Revenues pledged herein with all other BANs issued hereunder.

Section 2.08. Registrar. The Issuer will keep or cause to be kept at the principal office of the Registrar sufficient books for the registration and transfer of the BANs, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register all BANs initially issued pursuant hereto and register or cause to be registered, on such BAN Register, the transfer of exchange of BANs as hereinbefore provided.

The Registrar shall accept a BAN for transfer of registration only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust.

ARTICLE III

SECURITY FOR AND COVENANTS REGARDING THE BANS

Section 3.01. Payment of the BANs. Subject to the restrictions and limitations on the sources of payment hereinafter set forth, the Issuer covenants that it will promptly pay, or cause to be paid, the principal of and interest on every BAN issued under this Indenture at the place, on the dates and in the manner provided herein and in the BANs according to the true intent and meaning thereof. The principal of and interest on the BANs shall be payable from the proceeds of the FmHA Bonds; other moneys, including investment income and unexpended BAN Proceeds held in the funds and accounts established herein, the proceeds of the sale of any refunding notes or other obligations issued to refund the BANs and the Net Revenues of the System subject to the respective prior liens of the Water Development Authority Bonds or the Authority BANs, as the case may be, and the FmHA Bonds. The BANs are special obligations of the Issuer, payable solely from said sources described above, and do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged, for the payment of the BANs. Neither the Trustee nor the Holders of the BANs shall ever have the right to compel the forfeiture of any property of the Issuer. The BANs shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except the proceeds of the FmHA Bonds, the Net Revenues and other funds pledged therefor by this Indenture.

Notwithstanding anything in this Indenture to the contrary, the Issuer shall not be required to advance any money derived from any source of income other than the proceeds of the FmHA Bonds, the Net Revenues and other funds pledged by this Indenture for the payment of the principal of or interest on the BANs or for the performance of any of its duties under this Indenture. The Issuer may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Issuer for such purpose without incurring indebtedness.

Section 3.02. Restrictions on Other Debt. The Issuer hereby covenants that, so long as any of the BANs originally issued hereunder are Outstanding, it will not issue any bonds, notes or other evidences of indebtedness in anticipation of the proceeds of the FmHA Bonds or payable from any source of payment pledged for such BAN prior to or on a parity with the

lien on behalf of such BAN; provided, however, that the lien of the BANs on the Net Revenues shall be subordinate to the respective liens of the Water Development Authority Bonds and of the FmHA Bonds when issued. The Issuer may, however, issue bonds, notes or other evidences of indebtedness with liens which are junior and subordinate to that of the BANs.

Section 3.03. Particular Covenants. In order to secure the payment of the BANs, the Issuer hereby particularly covenants and agrees that the Issuer, if and so long as any of the BANs are Outstanding:

(A) Will permit no default by the Issuer under the terms of any loan commitment or grant commitment;

(B) Will pay all reasonable expenses of the Trustee, Registrar and Paying Agent and any other fiscal agent charges with respect to the exercise of their duties and functions hereunder including, but not limited to, publication costs and legal fees of their counsel;

(C) Will diligently pursue the construction of the Project to completion, and take such steps as may be necessary to complete the construction of the Project in full compliance with all terms and conditions of any grant or loan commitment;

(D) Will require all contractors doing work on the Project to put into effect and thereafter maintain all indemnity bonds and insurance required by the contract documents and if, at any time prior to the payment in full of the BANs, any such indemnity bond or insurance policy shall cease to be in force and effect, to replace the same with a like indemnity bond or insurance policy;

(E) Will take such steps as may be required and as are feasible to effect the issuance and receipt of proceeds of the FmHA Bonds, or any refunding notes, in order to make possible the use of the proceeds thereof for the payment of the BANs upon their maturity;

(F) Will deposit with the Trustee, in the appropriate fund established by this Indenture, all sums received by the Issuer from the proceeds of FmHA Bonds to provide for the payment of the BANs in accordance with the provisions of this Indenture;

(G) Will not make or cause or permit to be made any application of the proceeds of the BANs or of any moneys held in the BANs Repayment Account, or the Project Construction Account except in accordance with the provisions of Article IV hereof; and

(H) Will comply in all respects with the terms, conditions and provisions of any loan commitment and/or grant commitment.

Section 3.04. Required Notices to Trustee. The Issuer will give to the Trustee prompt written notice, appropriately documented, of any change in the status of FmHA's commitment or the FmHA Bonds and of any authorization of additional indebtedness of the Issuer.

The Trustee shall promptly forward a copy of any such notice received to any Holder of a BAN or BANs who has requested the same, at his address listed on the BANs Register.

Section 3.05. Issuance of Refunding BANs. In the event the Issuer is unable to issue and receive the proceeds of the FmHA Bonds contemporaneously with or prior to the maturity of the BANs, the Issuer shall issue and sell sewerage system bond anticipation refunding notes in an amount sufficient to pay the principal thereof.

Except for details thereof inconsistent herewith and as otherwise provided by an indenture supplemental hereto, the refunding notes or other obligations shall be subject to the terms and restrictions, and secured by the covenants and in the manner, set forth herein for the BANs originally issued hereunder. Except as otherwise provided herein, such refunding notes or other obligations shall be offered for sale upon reasonable and customary terms and conditions.

The proceeds of the refunding notes or other obligations, after making provision for the payment of the expenses of issuance thereof, shall be deposited in the BANs Repayment Account and used solely for the payment of the principal of and any interest due on the BANs.

Section 3.06. Statutory Mortgage Lien. For the further protection of the Holders of the BANs, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the BANs and shall be for the equal benefit of all Holders of the BANs, provided however, that the statutory mortgage lien in favor of the Holders of the BANs shall be subordinate to the respective statutory mortgage liens in favor of the Holders of the Water Development Authority Bonds or Authority BANs, as the case may be, and the FmHA Bonds.

ARTICLE IV

BAN PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts. Pursuant to this Article IV, the following special funds or accounts are created with, and shall be held by, the Trustee:

(1) Project Construction Account;

(2) BANs Repayment Account;

(3) Earnings Fund; and

(4) Rebate Fund.

Section 4.02. BANs Repayment Account. The Trustee shall segregate all funds and securities in the BANs Repayment Account from other deposits and funds of the Trustee and other deposits and funds of the Issuer, including the Project Construction Account. All moneys in the BANs Repayment Account shall be invested and reinvested in accordance with Article V herein and all such moneys in excess of the amount insured by FDIC shall be continuously secured by such Qualified Investments as are eligible for the security of state and municipal funds. All moneys in the BANs Repayment Account, until payment in full of all principal and interest owing on the BANs, shall be held by the Trustee for the Holders of the BANs, and the Issuer shall have no right with respect thereto. Upon final transfer for payment in full of all principal and interest on the BANs, the Trustee shall transfer any excess amount remaining in the BANs Repayment Account to the Project Construction Account.

On the day the FmHA Bond Proceeds are received for the purpose of repaying the BANs, the Issuer shall deposit with the Trustee for the BANs Repayment Account the sum required, with other money available in said account, to pay the principal of and interest on the Outstanding BANs. If one day prior to the maturity of the BANs there are not funds on deposit in the BANs Repayment Account to pay the principal of and interest due on the BANs, the Trustee shall transfer all sums remaining in the Project Construction Account to the BANs Repayment Account. To provide funds for the payment of the BANs at maturity, the Issuer shall issue its refunding notes pursuant to Section 3.05 hereof and shall deposit the proceeds of such refunding notes with the Trustee for deposit in the BANs Repayment Account.

Amounts held in the BANs Repayment Account shall, except as provided in this Section 4.02, be applied to the payment of principal of and interest on the BANs and used for no other purpose.

Section 4.03. Project Construction Account. The Project Construction Account shall be segregated from all other funds and accounts of the Trustee or the Issuer and used solely for the purposes provided herein.

The Trustee shall disburse no moneys from the Project Construction Account except to pay the principal of or interest on the BANs when due and to pay Costs of the Project as provided below. Disbursements from the Project Construction Account, except for costs of issuance of the BANs, shall be made only after submission to the Trustee of a certificate, signed by an Authorized Officer and the Consulting Engineers and approved by FmHA, stating:

(A) The name and address of the payee;

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

(C) 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;

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

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

In case any contract provides for the retention of a portion of the contract price, the Trustee shall disburse from the Project Construction Account only the net amount remaining after deduction of any such portion. All payments made from the Project Construction Account shall be presumed by the Trustee to be made for the purposes set forth in said certificate, and the Trustee shall not be required to monitor the application of disbursements from the Project Construction Account. The Consulting Engineers and the Chairman of the Issuer shall from time to time file with the Trustee written statements advising the Trustee of their respective authorized representatives.

Pending such application, moneys in the Project Construction Account shall be invested and reinvested in accordance with Article V hereof.

If for any reason the amounts on deposit in the Project Construction Account are not necessary for the Project, or not applied to the Project, then such amounts shall with the approval of FmHA be deposited by the Trustee in the BANs Repayment Account and used for the purposes thereof.

Section 4.04. Application of BAN Proceeds. From the moneys received from the sale of the BANs originally issued hereunder, the Trustee shall make the following deposits:

A. The sum of $187,312.50, which is estimated to be at least sufficient to pay interest on the BANs until the scheduled maturity thereof, shall be deposited in the BANs Repayment Account.

B. The remaining moneys derived from the sale of the BANs shall be deposited in the Project Construction Account.

Section 4.05. Reports by Trustee on Account Balances. The Trustee will, on or before the 15th day of each month, submit to the Issuer and the Original BANs Purchaser a report similar to the one attached to this Indenture as Exhibit B, for each of the funds and accounts provided for in this Indenture, for the preceding calendar month, stating the beginning balance, all additions and deductions, and the ending balance. As a part of or in addition to this report, the Trustee will provide a statement for each fund and account, giving details of all deposits, earnings, transfers in, checks written, checks cleared, and any other additions or deductions.

Section 4.06. Tap Fees. Forty-one percent of the Tap Fees, which equals the percentage of the FmHA Bonds to the total FmHA Bonds and Water Development Authority Bonds or Authority BANs, as the case may be, shall be deposited by the Issuer as received in the Project Construction Account and, following completion of the Project, shall be deposited in the Revenue Fund created by the Resolution.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE

Section 5.01. Investments. The Trustee shall invest and reinvest any moneys held as a part of the funds and accounts created by this Indenture at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Indenture, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Article V.

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

The following specific provisions shall apply with respect to any investments made under this section:

A. Qualified Investments may be purchased for the BANs Repayment Account, either in the open market or from the Project Construction Account. If so purchased from the Project Construction Account, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

B. Qualified Investments acquired for the BANs Repayment Account shall have maturities or be subject to redemption at the option of the holder at least two days prior to the need for the funds by the Trustee for transfer to the Paying Agent.

Section 5.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Trustee, that it shall not permit at any time or times any of

the proceeds of the BANs or any other funds of the Issuer to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any BAN to be an "arbitrage bond" as defined in Section 148 of the Code, and the Chairman shall deliver his certificate, based upon this covenant, with regard thereto to the Original BANs Purchaser.

Section 5.03. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

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

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

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the exclusion from gross income for federal income tax purposes of interest on the BANs, including without limitation the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it so that the interest on the BANs 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 which would adversely affect such exclusion.

Section 5.04. Rebate of Excess Investment Earnings to the United States. A. FUNDS. All interest earnings and profits on amounts in all funds and accounts established under this Indenture, 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 Trustee, 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 Trustee 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, the Trustee 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 Trustee shall transfer all amounts remaining in the Earnings Fund to the Project Construction 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 Trustee 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 BANs, the Issuer shall calculate, and shall provide written notice to the Trustee of, the amount of Excess

Investment Earnings. Said calculations shall be made or caused to be made by the Issuer 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 BANs 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 BANs shall be determined based on the actual Yield of the BANs during the period between the Closing Date of the BANs 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 BANs 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 Trustee 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 BANs, the Issuer shall direct the Trustee to pay from the Rebate Fund to the United States 100% of the heretofore 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 Trustee shall pay said amount 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.

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 Trustee 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 6 years following the retirement of the BANs, records of the determinations made pursuant to this Section 5.04.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 5.04, the Issuer and the Trustee (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 Trustee 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 BANs, as may be necessary in order to fully comply with Section 148(f) of the Code.

I. REPORTING TO TRUSTEE. The Issuer shall furnish to the Trustee, 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 Trustee.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the BANs:

(A) If default occurs in the due and punctual payment of the principal of any BAN at the date herein specified for its payment;

(B) Failure to make payment of any installment of interest due on any of the BANs on the day specified for the payment of such interest;

(C) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the BANs or in the Resolution or in any supplemental resolution or in this Indenture and such default shall have continued for a period of thirty (30) days after written notice shall have been given to the Issuer by the Trustee specifying such failure or violation and requiring the same to be remedied; and

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

Section 6.02. Enforcement by Trustee. Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the BANs at such time Outstanding shall, upon being satisfactorily indemnified as provided in Section 7.03 hereof, exercise in its own name any or all of the powers of the Holders of the BANs under Section 6.04 and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Holders, including the right to require the Issuer to perform its duties under the Act and this Indenture;

(C) Bring suit upon the BANs;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders; and

(E) By action or bill in equity enjoin any acts in violation of this Indenture or the rights of the Holders.

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

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

Except with respect to the issuance and receipt of the proceeds of the FmHA Bonds, the exercise of remedies by the Trustee or any Holder of BANs shall be subordinate to the rights of the holders of the Water Development Authority Bonds or the Authority BANs, as the case may be, or the FmHA Bonds, if then issued.

Section 6.03. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Holders of the BANs under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate pending such proceedings, with such powers as the court making such appointment shall confer.

Section 6.04. Enforcement by Holders. Any Holder of an Outstanding BAN may exercise any available remedy and bring any appropriate action, suit or proceedings to enforce his rights, including those specified in Section 6.02 hereof,

provided that, prior to resorting to any court of law or to any other legal process, either (i) such Holder must have given written notice to the Issuer and the Trustee specifying the Event of Default to be complained of and requesting the Trustee to take appropriate action and have offered to indemnify the Trustee for its expenses in taking such action, and the Trustee must have failed to act within a reasonable time, or (ii) such Holder must have obtained the written consent of the Trustee to the institution of the action, suit or proceeding proposed, and such action, suit or proceeding is brought for the ratable benefit of all Holders of the BANs.

Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the BANs then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 6.05. Possession of BANs by Trustee Not Required. All rights of action (including the right to file proof of claims) under this Indenture or under any of the BANs may be enforced by the Trustee without the possession of any of the BANs or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the BANs, and any recovery of judgment shall be for the equal benefit of all the Holders of the Outstanding BANs.

Section 6.06. Restoration of Issuer and Trustee. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and the Trustee shall be restored to their former position and rights hereunder, and all rights and remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 6.07. Waiver of Event of Default. The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of a majority in aggregate principal amount of the BANs then Outstanding; provided, however, that there shall not be waived any default in the payment of (i) the principal of any Outstanding BAN at the stated maturity or (ii) any interest when due on any BAN.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Holder of any BAN, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 6.08. Right To Enforce Payment of BANs Unimpaired. Subject to the respective prior rights of the owners of the Water Development Authority Bonds or Authority BANs, as the case may be, and the FmHA Bonds with respect to Net Revenues, nothing in this article shall affect or impair the right of any Holder of a BAN to enforce the payment of the principal of or interest on his BAN or the obligation of the Issuer to pay the principal of and interest on each BAN to its Holder when due.

ARTICLE VII

FIDUCIARIES

Section 7.01. Appointment of Trustee; Acceptance of Trustee. The First Huntington National Bank, a national banking association, is hereby appointed as Trustee for the BANs. The Trustee accepts and agrees to execute the trusts and duties imposed upon it by this Indenture, but only upon the terms and conditions set forth herein.

Section 7.02. Paying Agent and Registrar. The First Huntington National Bank, is hereby initially appointed as Paying Agent and Registrar for the BANs, and said bank shall evidence acceptance of such appointment by entering into an agreement setting forth the rights and obligations of the Registrar and Paying Agent, in form satisfactory to the Issuer, provided that, the Issuer may, from time to time, appoint another bank as Registrar or Paying Agent, subject to the requirements of Section 7.12 hereof.

Section 7.03. Responsibilities of Fiduciaries. The recitals of fact in this Indenture and the BANs shall be taken as statements of the Issuer, and the Fiduciaries shall not be responsible for their accuracy. The Trustee shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of this Indenture or of any BANs by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its certificate of authentication and registration on the BANs. The Holders of the BANs shall indemnify any Fiduciary for any acts taken which may involve it in expense or liability or the institution or defense of any action or suit in respect to this Indenture or the BANs or an advance of any of its own moneys.

The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of this Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this section.

Any provision of this Indenture relating to action taken or to be taken by any Fiduciary or to evidence upon which such Fiduciary may rely shall be subject to the provisions of this section.

Section 7.04. Evidence on Which Fiduciary May Act. Except as otherwise provided by Section 10.01 hereof, a Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever a Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, but in its discretion such Fiduciary may instead accept other evidence of such fact or matter.

Section 7.05. Compensation and Expenses. The Issuer shall pay to any Fiduciary from time to time reasonable compensation for all services, and also reimburse its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in the performance of its duties hereunder. The Issuer shall indemnify and save any Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties and which are not due to its own negligence, default or willful misconduct.

Section 7.06. Certain Permitted Acts. A Fiduciary may become the owner of or may deal in BANs as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, such Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders of the BANs or effect or aid in any reorganization growing out of the enforcement of the BANs or this Indenture, whether or not any such committee shall represent the Holders of a majority in principal amount of the BANs Outstanding.

Section 7.07. Resignation of Trustee. The Trustee may at any time resign and be discharged of its duties and obligations under this Indenture by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and, within twenty (20) days after the giving of such written notice, sending copies of such notice to each Holder of a BAN at his address as it appears on the books of the Registrar. Such resignation shall take effect upon the effective appointment by the Issuer or the Holders of the BANs of a successor trustee.

Section 7.08. Removal. The Trustee may be removed at any time by the Holders of a majority in principal amount of the BANs then Outstanding, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Holders of the BANs or by their attorneys duly authorized in writing and delivered to the Issuer. Copies of each such instrument shall be delivered by the Issuer to the Trustee.

Section 7.09. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer or court shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the BANs then Outstanding, by an instrument or concurrent instruments in writing signed by such Holders or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Issuer and the predecessor Trustee. Pending such appointment, the Issuer shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by such Holders. The Issuer shall mail notice of any such appointment to each Holder of a BAN, at his address as it appears on the BANs Register, by first class United States mail, certified or registered, within twenty (20) days after such appointment. Any successor Trustee appointed by the Issuer shall, immediately and without further act, be superseded by a Trustee appointed by such Holders. If in a proper case no appointment of a successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Trustee or any Holder of a BAN may apply to any court of competent jurisdiction to appoint a successor. Any Trustee appointed under the provisions of this section shall be a bank, trust company or national banking association doing business and having its principal office in the State, having trust powers and authorized to perform the duties imposed upon it by this Indenture and insured by FDIC.

Section 7.10. Transfer of Rights and Property to Successor. Any predecessor Trustee shall pay over, assign and deliver any moneys and qualified investments or assets of the Trust Estate held by it to its successor.

Section 7.11. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee or any public officer or court may sell or transfer all or substantially all

of its corporate trust business, shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 7.09.

Section 7.12. Additional and Successor Paying Agents and Registrars. A. The Issuer may at any time, with the approval of the Original BANs Purchaser and pursuant to Section 9.01 hereof, appoint one or more other Paying Agents having the qualifications hereinafter set forth as an additional or successor Paying Agent and appoint another Registrar, having the qualifications hereinafter set forth, as a successor Registrar.

B. Any Paying Agent or the Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days' written notice to the Issuer, the Trustee and the other Paying Agents, if any. Any Paying Agent or the Registrar may be removed at any time by an instrument filed with such Paying Agent or the Registrar, as the case may be, and the Trustee and signed by the Issuer.

Any successor or additional Paying Agent and any successor Registrar must be a bank, trust company or national banking association authorized by law to perform all the duties imposed upon it by the Indenture. Such successor or additional Paying Agent or successor Registrar shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof.

C. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or, if there be no successor, to the Trustee. In the event of the resignation or removal of the Registrar, such Registrar shall deliver the BANs Register to its successor, or, if there be no successor, to the Trustee. If the position of Paying Agent or Registrar shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent or the Registrar to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent or Registrar within said period, the Trustee shall, in its discretion, make such appointment or serve as such.

D. Any bank, trust company or national banking association with or into which any Paying Agent or the Registrar may be merged or consolidated, or to which the assets and business of such Paying Agent or Registrar may be sold,

shall be deemed the successor of such Paying Agent or Registrar, as the case may be, for the purposes of this Indenture.

E. Notice of the appointment of successor or additional Paying Agents or fiscal agents or of a successor Registrar shall be given in the same manner as provided by Section 7.09 hereof with respect to the appointment of a successor Trustee.

F. All moneys received by the Registrar or Paying Agents shall, until used or applied as provided in this Indenture, be held in trust for the purposes for which they were received.

Section 7.13. Adoption of Authentication. In case any of the BANs shall have been authenticated but not delivered, any successor Registrar may adopt a certificate of authentication and registration executed by any predecessor Registrar and deliver such BANs so authenticated and registered, and, in case any BANs shall have been prepared but not authenticated and registered, any successor Registrar may authenticate such BANs in the name of the predecessor Registrar or in its own name.

ARTICLE VIII

DEFEASANCE; DISCHARGE OF INDENTURE

Section 8.01. Defeasance; Discharge of Indenture. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all BANs the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then this Indenture and the pledge of the proceeds of the FmHA Bonds and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the BANs made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

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

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Not Requiring Consent of Holders. The Issuer and the Trustee may without the consent of, or notice to, any of the Holders of the BANs enter into an indenture or indentures supplemental to this Indenture, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(A) To specify, determine or authorize any matters and things concerning the BANs or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(B) To authorize any series of refunding notes or other obligations, and to specify, determine or authorize any matters and things concerning any such refunding notes or other obligations or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(C) To impose additional covenants or agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture;

(D) To impose other limitations or restrictions upon the Issuer;

(E) To surrender any right, power or privilege reserved to or conferred upon the Issuer by this Indenture;

(F) To confirm, as further assurance, any pledge of or lien upon the proceeds of the FmHA Grant or any other moneys, securities or funds;

(G) To cure any ambiguity, omission or defect in this Indenture;

(H) To modify or amend any of the terms or provisions of this Indenture if no BANs are Outstanding at the time of such modification or amendment;

(I) To modify or amend any of the terms or provisions of this Indenture, provided that such modification by its terms shall not take effect until all BANs Outstanding on the date of adoption of such modification or amendment shall have ceased to be Outstanding; and

(J) To modify or amend any of the terms or provisions of this Indenture as may be necessary to maintain the excludability from gross income for federal income tax purposes of interest on the BANs.

Section 9.02. Amendment by Consent of Holders. Except for the supplemental indentures allowed under Section 9.01 hereof, this Indenture or any indenture supplemental hereto and the rights and obligations of the Issuer, the Trustee and the Holders of the BANs may be modified or amended only with the written consents of the Holders of sixty percent (60%) in aggregate principal amount of the BANs then Outstanding, which must be filed with the Trustee before any such modification or amendment may become effective. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any BAN without the express written consent of the Holder of such BAN, nor reduce the percentage of BANs required for consent to any such modification or amendment.

ARTICLE X

MISCELLANEOUS

Section 10.01. Evidence of Signatures of Holders and Ownership of BANs. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by Holders of the BANs may be in one or more instrument of similar tenor, and shall be signed or executed by such Holders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Indenture if made in the following manner, or in any manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

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

C. The amount of BANs owned by any person executing any such instrument as a Holder, the numbers and other identification thereof, and the date of his owning such BANs shall be determined by the books of the Registrar.

Any request, consent or other instrument executed by the Holder of any BAN shall bind all future Holders of such BAN in respect of anything done or suffered to be done hereunder by the Issuer or the Trustee in accordance therewith.

Section 10.02. Preservation and Inspection of Documents. All reports, certificates, statements and other documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Holder of a BAN, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Indenture shall be discharged as provided in Section 8.01 hereof.

Section 10.03. Cancellation of BANs. All BANs purchased or paid shall, if surrendered to the Issuer, be cancelled and delivered to the Registrar, or, if surrendered to the Registrar, be cancelled by it. No such BANs shall be deemed Outstanding under this Indenture, and no BANs shall be issued in lieu thereof. All such BANs shall be cancelled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.04. Failure to Present BANs. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the BANs which remain unclaimed for one (1) year after the date on which such BANs have become due and payable, shall at the written request of the Issuer be paid by the Paying Agent to the Issuer as its absolute property and free from trust, and said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such BANs shall look only to the Issuer for the payment of such BANs; provided, however, that, before making any such payment to the Issuer, the Paying Agent shall at the expense of the Issuer cause to be published at least once in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

Section 10.05. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Trustee, the Consulting Engineers or the Original BANs Purchaser shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

A. Issuer

Northern Wayne County Public Service District
4444 Fifth Street Road
Lavalette, West Virginia 25535
Attention: Herman Wellman

B. Trustee

The First Huntington National Bank
P. O. Box 179
Huntington, West Virginia 25706
Attention: Trust Department

C. Consulting Engineers

Regula Engineering, Inc.
1218 Fifth Avenue
Huntington, West Virginia 25701
Attention: Charles T. Regula

D. Original BANs Purchaser

Scott & Stringfellow, Inc.
810 Main Street
P. O. Box 200
Lynchburg, Virginia 24505
Attention: Patricia A. Cooper

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

Section 10.06. No Personal Liability. No officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any BAN, but nothing herein contained shall relieve any such official or employee from the performance of any official duty provided by law or this Indenture.

Section 10.07. Law Applicable. The laws of the State shall govern the construction of this Indenture and of all BANs issued hereunder.

Section 10.08. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Trustee, the Registrar, the Paying Agent, the Holders of the BANs and the Original BANs

Purchaser, any right, remedy or claim under or by reason of this Indenture. All the covenants, stipulations, promises and agreements contained in this Indenture by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, Registrar, the Paying Agent, the Holders of the BANs and the Original BANs Purchaser.

Section 10.09. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Indenture shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Indenture.

Section 10.10. 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 10.11. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT has caused this Indenture to be executed on its behalf by the Chairman and has caused the seal of the Issuer to be hereunto affixed and duly attested by the Secretary; and The First Huntington National Bank, as Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer and its corporate seal to be hereunto affixed and duly attested, all as of the date and year first above written.

NORTHERN WAYNE COUNTY PUBLIC
SERVICE DISTRICT

[SEAL]

By _____
CHAIRMAN

ATTEST:

By _____
Secretary

THE FIRST HUNTINGTON NATIONAL BANK

[SEAL]

By _____
Its _____

ATTEST:

By _____
Its _____

STATE OF WEST VIRGINIA,
COUNTY OF _____, to-wit:

I, _____, a notary public of said county, do certify that _____ and _____, who signed the foregoing Trust Indenture, bearing date as of February 15, 1989, for the Northern Wayne County Public Service District, a public corporation and political subdivision of the State of West Virginia, have this day in my said county, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and seal this _____ day of February, 1989.

[SEAL]

_____
Notary Public

My commission expires _____

STATE OF WEST VIRGINIA,
COUNTY OF _____, to-wit:

I, _____, a notary public of said county, do certify that _____, _____, and _____, _____, who signed the foregoing Trust Indenture, bearing date as of February, 1989, for and on behalf of The First Huntington National Bank, a national banking association, have this day in my said county, before me, acknowledged the said writing to the act and deed of said banking association.

Given under my hand and seal this _____ day of February, 1989.

[SEAL]

_____
Notary Public

My commission expires _____.

The foregoing instrument was prepared by Lee O. Hill, Jackson & Kelly, P.O. Box 553, Charleston, WV 25322.

EXHIBIT A
[Front of BAN]

R-____ CUSIP NUMBER _____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM BOND ANTICIPATION NOTE,
SERIES 1989

Registered Owner: _____ Note Date: January 1, 1989
Interest Rate: _____ Maturity Date: _____
Principal Amount: _____

KNOWN ALL MEN BY THESE PRESENTS: That NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay to the Registered Owner identified above or registered assigns, on the Maturity Date identified above, the Principal Amount identified above and to pay interest from the Note Date until payment of said Principal Amount at the Interest Rate identified above. Principal of this Note is payable 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, upon surrender of this Note at the principal office of _____, as paying agent and registrar (the "Registrar"). Interest hereon is payable on January 1 and July 1 by check or draft mailed to the Registered Owner hereof at his address as it appears on the registration books kept by the Registrar as of the fifteenth (15th) day of the month next preceding the applicable interest payment date.

REFERENCE IS MADE TO REVERSE OF THIS NOTE, WHICH SHALL BE INCLUDED AS IF SET FORTH ON THE FACE HEREOF.

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 the Notes of the issue of which this Note is one, together with all other obligations of the Issuer, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

All provisions of the Indenture, as defined on the reverse hereof, and the resolutions and 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.

IN WITNESS WHEREOF, NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT has caused this Note to be signed by the manual or facsimile signature of its Chairman and its corporate seal to be impressed hereon and attested by the manual or facsimile signature of its Secretary and has caused this Note to be dated as of the Note Date identified above.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

_____

Chairman

[SEAL]

ATTEST:

_____

Secretary

[REVERSE OF BAN]

This Note is one of an issue of Notes (the "Notes") in the aggregate principal amount of $_____, of like tenor and effect, except as to number, denomination and date of authentication and registration, issued to temporarily finance a portion of the costs of the construction and acquisition of a sewage collection and transportation system of the Issuer (the "Project"), to capitalize interest on the Notes and to pay certain costs of issuance thereof and related costs. The Notes are payable from the proceeds of $_____ in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 B, to be issued by the Issuer to the United States Department of Agriculture, Farmers Home Administration, pursuant to a commitment therefor (the "FmHA Bonds") and certain other sources as more specifically set out below. This Note is issued under the authority of and in full compliance with the 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 adopted by the Governing Body of the Issuer on January ___, 1989, and supplemented thereby on January ___, 1989 (collectively, the "Resolution"), and is issued and secured pursuant to the terms of a Trust Indenture, dated as of January 1, 1989 (the "Indenture"), by and between the Issuer and The First Huntington National Bank, Huntington, West Virginia, as trustee (the "Trustee"), and is subject to all the terms and conditions of said Indenture.

The Notes are not subject to redemption prior to maturity. This Note is a special obligation of the Issuer, payable solely from (i) the proceeds of the FmHA Bonds; (ii) other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established with respect to the Notes by the Indenture; (iii) the net proceeds of the sale of refunding notes, if any, or other obligations issued to refund the Notes, and (iv) the net revenues of the Issuer's sewerage system, subject to the respective prior liens of certain bonds sold to the West Virginia Water Development Authority and of the FmHA Bonds.

Pursuant to the Indenture, the Issuer has pledged and assigned said FmHA Bond proceeds, said other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established by the Indenture, said net revenues and said net proceeds of any refunding notes or other obligations, issued for the purpose of paying all or a portion of the principal of or interest on the Notes, to the Trustee, to be held by the Trustee to secure the payment of the Notes.

If, one business day prior to the maturity hereof, the funds deposited for payment are insufficient to pay the entire principal of and interest to be accrued on the Notes to the date of maturity, the Issuer shall issue its refunding notes or other obligations, but only upon the conditions and as described in the Indenture, to which reference is made for a further description of the security for the Notes.

Interest on this Note is payable from certain proceeds of the sale hereof, to be held for such purpose by the Trustee. This Note 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 the sources specified above. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged, for the payment of the principal of or interest on this Note.

Under the Indenture, the Issuer has entered into certain covenants on behalf of the registered owners of the Notes, for the terms of which reference is made to said Indenture. Remedies provided the Trustee on behalf of the Registered Owner of this Note, and to said Registered Owner, are exclusively as provided in the Indenture, to which reference is here made for a detailed description thereof.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the principal office of the Registrar but only in the manner and subject to the limitations provided in the Indenture, and upon surrender of this Note, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or his duly authorized attorney. This Note may be exchanged for a Note or Notes of other authorized denomination by the Registered Owner hereof in person or by his attorney duly authorized in writing at the principal office of the Registrar but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender of this Note. Upon such transfer or exchange, this Note will be cancelled by the Registrar, and a new Note or Notes of the same series, interest rate, maturity and of authorized denomination, for the same aggregate principal amount, will be issued, to the transferee in the case of transfer, in exchange herefor.

REGISTRAR'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is one of the fully registered Notes described in the within-mentioned Ordinance and Indenture.

Date of Authentication: _____

_____, Registrar

By _____
Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Note and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Note on the books kept for registration of the within Note with full power of substitution in the premises.

Dated: _____

_____

Signature Guaranteed: _____

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

EXHIBIT B

MONTHLY STATUS REPORT

(Trustee Bank)
(Account)
(Month)

Balance at beginning of month			$_____
Add:	Deposits	$_____	
	Transfers in		
	Earnings	$_____	$_____
			$_____
Less:	Checks written	$_____	
	Other deductions	$_____	$_____
Balance at end of month			$_____*

*Should be reconcilable with regular bank statement, which furnishes details of deposits and deductions.

E X H I B I T C

See Index No. 7(a) -- West Virginia Water Development Authority Loan Agreement

E X H I B I T D

See Index No. 7(b) -- West Virginia Water Development Authority Supplemental Loan Agreement

WDA-5
(March 1988)

BAN
LOAN AGREEMENT

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

Northern Wayne County PSD
(Name of Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

PENGAD-Bayonne, N. J.
Exhibit E

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

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

ARTICLE I

Definitions

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed

and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds is outstanding, business interruption insurance if available at a reasonable cost.

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

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

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

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not execute this Loan Agreement unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available. The Governmental Agency further specifically recognizes that during the last 90 days of a period to originate Loans from its water development revenue bond proceeds, the Authority may execute Loan Agreements, commit moneys and close Local Bond sales in such order and manner as it deems in the best interest of the Program.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

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

(b) Covenants substantially as follows:

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

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

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

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

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%)

of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

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

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Governmental
Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal 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 and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement;

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

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

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

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

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

(xvii) That the Governmental Agency shall take any and all action, or shall refrain from taking any action, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for Federal income tax purposes of interest on the Authority's water development revenue bonds.

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

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

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

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

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

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

4.7 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

ARTICLE V

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

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

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

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of

loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

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

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

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

6.6 Notwithstanding Section 6.5, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

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

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

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

(ii) termination by the Authority pursuant to Section 6.3 hereof; or

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

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

Northern Wayne Public Library District
[Proper Name of Governmental Agency]

(SEAL)

By Virginia L. Williamson
Its Chairman

Attest:

Date: 2/14/89

Steven L Dupan
Its Secretary - Treasurer

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By Daniel B Lyonkosky
Director

Attest:
Daniel B Lyonkosky
Secretary-Treasurer

Date: Feb 14, 1989

EXHIBIT A

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

We are bond counsel to _____ (the "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 payable April 1 and October 1 of each year, beginning _____ 1, 19__, at the respective rate or rates and with principal payable in installments on October 1 in each of the years, all as follows:

Year	Installment	Interest Rate

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

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

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

Very truly yours,

SCHEDULE Y
REVENUES

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

(i) to pay Operating Expenses of the System;

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

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

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

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

SCHEDULE Z

Additional and Supplemental Definitions

1. "EPA" means the United States Environmental Protection Agency and any successors to the functions thereof.

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

3. "System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Governmental Agency, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with, among other State and federal standards, the water quality standards established by the West Virginia Department of Natural Resources and EPA.

2. The Governmental Agency agrees that it will permit the EPA 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.

3. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, permits from the EPA and the West Virginia Department of Natural Resources and approval of the "Part B" supplement to its EPA grant agreement.

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

> That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System and, in the

event the Governmental Agency owns a water facility (the "Water System"), the Water System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of either system until all delinquent charges for the services of the System have been fully paid.

5. To the extent required by law, the Governmental Agency hereby covenants and agrees to secure approval of the Authority and all other State agencies having jurisdiction before applying for federal financial assistance for pollution abatement in order to maximize the amounts of such federal financial assistance received or to be received for all water development projects in the State.

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

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

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

(a) The Governmental Agency expects to enter into a contract within six months of the date thereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2-1/2 percent of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or $100,000;

(b) Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years from the date of issuance of the Authority's water development revenue bonds;

(c) All of the proceeds from the sale of the Local Bonds which will be used for payment of costs of the Project will be expended for such purpose within three years from the date of issuance of the Authority's water development revenue bonds; and

(d) The Governmental Agency does not expect to sell or otherwise dispose of the Project, in whole or in part, prior to the last maturity date of the Local Bonds.

EXHIBIT F

PROJECT

Acquisition and construction of a sewage collection and transportation system, located primarily in the Lavalette and Buffalo Creek areas of the Issuer, consisting of approximately 930 grinder pumps, 22 septic tanks, 43.7 miles of force main, 1.91 miles of gravity main, 11.41 miles of 1.25-inch force main service pipe, .07 miles of 4-inch gravity service pipe, 4 main line pump stations, 31 manholes, valves and all appurtenances and an administrative and maintenance building.

EXHIBIT G

SCHEDULE OF RATES AND CHARGES

APPLICABILITY

Applicable in territory served.

AVAILABILITY OF SERVICE

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

RATE

$6.09 per 1,000 gallons of metered water usage.

UNMETERED RATE

$27.41 per month based on 4,500 gallons usage.

MINIMUM CHARGE

No bill will be rendered for less than $18.27 based on 3,000 gallons usage.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to the due bill. This amount is not interest and is only to be collected once where appropriate.

MULTIPLE OCCUPANCY

On apartment buildings, trailer courts or other multiple occupancy buildings, the monthly charge shall not be less than the number of units multiplied by the minimum charge shown above.

TAP FEE

$150 prior to completion of construction adjacent to customer's property.

$250 after completion of construction adjacent to customer's property

Present at the January 30, 1989 meeting were Charles Regula, Fred Russell, Steve Thompson, Pat Cooper of Scott & Stringfellow, Inc., Mark Garren, Herman Wellman and Samme Gee.

The first motion to approve One Valley Banks 7.77% investment bid for BANs and GANs. Steve Thompson made the motion and Fred Russell seconded it. All present were in favor.

The second motion was made on the Amended Application to WDA for the increase for additional money. Steve Thompson made the motion and Fred Russell seconded it. All present were in favor.

The third motion was made by Steve Thompson and seconded by Fred Russell to authorize Regula Engineering to send Contract B easements that have to be condemned to Mark Garren. There are 18 of them. They are as follows:

Contract	Sheet	Parcel No.
B	11	15
		16
		17
		22
		23
	15	42
	22	91
	23	109
	34	200
		210
	35	226
	36	246
		246
	38	273
	39	277
	40	284
		285
	43	305

The next motion was made by Steve Thompson and seconded by Fred Russell to approve Bond Resolution for Sewerage System Revenue Bonds, Series 1989B (Bond Resolution). All present were in favor of this motion.

The next motion was made by Steve Thompson and seconded by Fred Russell to approve the supplemental "Resolution Awarding the Northern Wayne County Public Service District Sewerage System Revenue Bonds, 1989 Series B in the Principal amount of $1,950,000 and fixing the rate of interest thereon. All present were in favor of this motion.

The next motion was made by Steve Thompson and seconded by Fred Russell to approve the Bond and Note Resolution. All present were in favor of this motion and authorized the chairman to sign these resolutions.

The next motion was to approve the Supplemental Bond and Note Resolution. Steve Thompson made the motion and Fred Russell seconded it. All present were in favor.

The next motion made was to authorize Charles Regula to put a motion in the paper of a special meeting if we need to have one on February 14 at the Wayne County Courthouse at 1:00. Steve Thompson made the motion and Fred Russell seconded it. All present were in favor.

The last motion made by Steve Thompson and seconded by Fred Russell to authorize Charles Regula to use our seal at his office on the four Bond and Note Resolutions that Samme Gee and Pat Cooper presented were approved.

No other business was discussed. The meeting adjourned at 3:15 PM.

Herman D. Wellman

Steven L Thompson

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, AND SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989, OF THE NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; APPROVING LOAN AGREEMENTS WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Northern Wayne County Public Service District (the "District") has duly and officially adopted a Bond and Note Resolution on January 30, 1989, as supplemented on January 30, 1989 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWER FACILITIES OF NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,700,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, AND NOT MORE THAN $800,000 IN AGGREGATE PRINCIPAL AMOUNT OF SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989, AND PENDING THE ISSUANCE THEREOF THE ISSUANCE OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM BOND ANTICIPATION NOTES, WEST VIRGINIA WATER DEVELOPMENT AUTHORITY SERIES AND, PENDING THE ISSUANCE OF BONDS TO OR RECEIPT OF BOND PROCEEDS FROM THE UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION, AND THE RECEIPT OF CERTAIN GRANT RECEIPTS, RESPECTIVELY, THE ISSUANCE OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1989, AND NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF A PROMISSORY NOTE TO THE COUNTY COMMISSION OF WAYNE COUNTY OR SEWERAGE SYSTEM GRANT ANTICIPATION

NOTES, SERIES 1989; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS AND NOTES, INCLUDING A LETTER OF CREDIT IN AN AMOUNT NOT TO EXCEED $800,000 FOR SAID GRANT ANTICIPATION NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING SAID BOND ANTICIPATION NOTES; AUTHORIZING EXECUTION AND DELIVERY OF AN INTERGOVERNMENTAL AGREEMENT, LOAN AGREEMENT AND TRUST INDENTURE IN CONNECTION WITH SAID PROMISSORY NOTE; APPROVING AND RATIFYING A LOAN AGREEMENT, SUPPLEMENTAL LOAN AGREEMENT AND AUTHORITY BANS LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BOND ANTICIPATION NOTES AND BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS AND NOTES; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of Sewerage System Revenue Bonds, Series 1989 A (the "Primary Bonds"), and the Subordinate Sewerage System Revenue Bonds, Series 1989 (the "Subordinate Bonds") (collectively herein the "Bonds") of the Northern Wayne County Public Service District (the "District") in aggregate principal amounts not to exceed $2,700,000 and $800,000, respectively, all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement and Supplemental Loan Agreement (the "Loan Agreement") to be entered into between the District and the West Virginia Water Development Authority (the "Authority"), and in the Resolution it is provided that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution and that other matters relating to the Bonds be herein provided for;

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

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

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewerage System Revenue Bonds, Series 1989 A, in the aggregate principal amount of $2,354,914 (the "Primary Bonds"), and the Subordinate Sewerage System Revenue Bonds, Series 1989 in the aggregate principal amount of $349,086 (the "Subordinate Bonds") (collectively, the "Bonds"), all in the form set forth below and in the Resolution:

(A) The Primary Bonds of the District shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of $2,354,914. The Primary Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 8.4% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1989,

shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Primary Bonds, and shall be payable in installments of principal on October 1 of each of the years from 1991 through 2029, inclusive, and in the amounts as set forth in "Schedule X," attached to the Loan Agreement and incorporated therein by reference.

(B) The Subordinate Bonds of the District shall be originally issued in the form of a single bond, numbered SR-1, in the principal amount of $349,086. The Subordinate Bonds shall be dated the date of delivery thereof, shall be interest free, shall be subject to redemption upon the written consent of the Authority as long as the Authority shall be the registered owner of the Subordinate Bonds, and shall be payable in installments of principal on October 1 of each of the years from 1991 through 2029, inclusive, and in the amounts as set forth in "Schedule X," attached to the Loan Agreement and incorporated therein 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 Primary Bonds and Subordinate Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement and the Supplemental Loan Agreement, including the "Schedule X" attached to each, copies of which are incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the Supplemental 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 Bonds shall be 100% of par value.

Section 4. The District hereby appoints and designates Wayne County Bank, Wayne, West Virginia, as the Depository Bank, as provided in the Resolution.

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

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

Section 7. The District hereby directs that the proceeds of the Bonds ($2,704,000) be deposited into the Authority BANs Sinking Fund at the Commission and be used to pay in full the Authority BANs simultaneously with the issuance and delivery of the Bonds.

Section 8. The District hereby instructs the Commission to pay from the Authority BANs Sinking Fund to the

Authority $17,463.33 representing the outstanding interest on the Authority BANs and to transfer the balance in the Authority BANs Sinking Fund ($274,596.67), after payment of the principal and interest on the Authority BANs, to the Series 1989 A Sinking Fund to be used to pay interest on the Primary Bonds during the construction of the Project.

Section 9. The District hereby directs that $0.00 of the proceeds of the Bonds be deposited in the Sinking Fund at the Commission.

Section 10. The Chairman and Secretary-Treasurer are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement and the Supplemental Loan Agreement.

Section 11. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 12. The District hereby directs that the proceeds of the Bonds be applied to the payment in full of the principal and interest outstanding on the District's Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series.

Section 13. This Supplemental Resolution shall be effective immediately upon adoption.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

Herman D. Wellman
Chairman

[SEAL]

Steven L Thorn
Secretary-Treasurer

9748M

Section 13. This Supplemental Resolution shall be effective immediately upon adoption.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

Herman D. Wellman
Chairman

[SEAL]

Steven L Thompson
Secretary-Treasurer

9748M

ATTACHMENTS

See Tab No. 4 -- Loan Agreement and Supplemental Loan Agreement

NORTHERN WAYNE COUNTY PSD
P.O. Box 775, Lavalette, WV 25535

Special Meeting on March 13, 1989

Present at the March 13, 1989 meeting were Herman Wellman, Steve Thompson and Fred Russell of the NWCPSD. Also present were Charles Regula, Samme Gee and Charlotte Morgan.

Steve Thompson made the motion and Fred Russell seconded it to accept the

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, AND SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989, OF THE NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; APPROVING LOAN AGREEMENTS WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

All were in favor of this motion. These bonds are lower than anticipated.

The next motion was made by Steve Thompson and seconded by Fred Russell to take whatever action is necessary to rent the trailer lot off of Leonard Doss at Lavalette for $50.00 a month. Steve Thompson then made a motion to rent an office trailer from Wilson Construction for $100.00 a month and to pay whatever it cots to move it and set it up on the lot. Fred Russell seconded it. All present were in favor of these motions.

No other business. The meeting adjourned at 1:10 PM.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

$2,354,914 Sewerage System Revenue Bonds, Series 1989 A

$349,086 Subordinate Sewerage System
Revenue Bonds, Series 1989

CERTIFICATE OF:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY-TREASURER of the Public Service Board of the Northern Wayne County Public Service District (herein called the "District"), and the undersigned ATTORNEY for the District, hereby certify in connection with the single, fully registered Northern Wayne County Public Service District Sewerage System Revenue Bond, Series 1989 A, numbered AR-1, dated the date hereof, in the principal amount of $2,354,914 and bearing interest at the rate of eight and four-tenths percent (8.4%) per annum (the "Primary Bonds"), and the single, fully registered Northern Wayne County Public Service District Subordinate Sewerage System Revenue Bond, Series 1989, numbered SR-1, dated the date hereof, in the principal amount of $349,086 and bearing no interest (the "Subordinate Bonds") (collectively, herein called the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this Certificate and not otherwise defined shall have the same meaning as in the Bond and Note Resolution duly adopted by the Public Service Board (the "Board") of the District on January 30, 1989 and a Supplemental Resolution adopted March 13, 1989, relating to the Bonds (collectively, the "Resolution"), and the Loan Agreement and Supplemental Loan Agreement (collectively, the "Loan Agreement") entered into between the District and the West Virginia Water Development Authority (the "Authority"), dated March 16, 1989.

2. NO LITIGATION: No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting the issuance and delivery of the Bonds; nor questioning the proceedings and authority by which the Board of the District authorized the issuance and sale of the Bonds; nor affecting the validity of the Bonds or any provisions made or authorized for the payment thereof; nor questioning the existence of the District or the title of the members or officers of the District or of the Board thereof to their respective offices; nor questioning the construction and acquisition of the new sewage collection and transportation facilities of the District financed in part by the proceeds of sale of the Bonds (herein called the "Project"), nor operation by the District of the Project (the Project and any further extensions, additions, improvements or betterments thereto, herein collectively called the "System"), nor challenging the collection or use of the revenues of the System.

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 District since February 15, 1989. Further, there has been no adverse change in the status of any grant necessary to finance the acquisition and construction of the Project.

The Primary Bonds are on a parity as to lien on and source of payment and security from the net revenues of the System with $1,950,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 B issued to the United States Department of Agriculture, Farmers Home Administration (the "FmHA Bonds") on February 15, 1989.

The FmHA Bonds were issued contemporaneously with the District's $1,850,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, Series 1989, (the "BANs") originally authorized by the Resolution, to temporarily finance costs of acquisition and construction of the Project pending the receipt of the proceeds of the FmHA Bonds, a promissory note issued to The County Commission of Wayne County to evidence the loan of $1,600,000 to the District pending the receipt by the District of the EPA Grant receipts and the District's $2,704,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, West Virginia Water Development

Authority Series (the "Authority BAN") originally authorized by the Resolution, to temporarily finance costs of acquisition and construction of the Project pending issuance of the Bonds. The proceeds of the Bonds will be applied to the payment in full of the outstanding principal and interest on the Authority BAN.

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

6. PUBLIC SERVICE COMMISSION ORDER; RATES: The undersigned Attorney hereby certifies that the District has filed any information with the Public Service Commission (the "PSC") and taken all other action required to maintain the PSC orders which grant a certificate of convenience and necessity, approve the sale of the Bonds and approve the District's rates, dated November 23, 1988, December 7, 1988, and January 13, 1989, in full force and effect, and has taken all other action required by applicable law. On January 30, 1989 the Board adopted by resolution the rates as were approved by the PSC.

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

Name		Date of Commencement of Office	Date of Termination of Office
Board Member	Herman Wellman (Chairman)	Aug. 1, 1988	July 31, 1994
Board Member	Steven Thompson (Secretary-Treasurer)	Aug. 1, 1988	July 31, 1992
Board Member	Fred Russell	Aug. 1, 1988	July 31, 1990

At the 1989 organizational meeting, the following were duly elected and qualified as officers of the Board for 1989: Herman Wellman, Chairman and Steven Thompson, Secretary-Treasurer.

Mark L. Garren is the duly appointed and acting Attorney for the District. Robert R. Rodecker is the duly appointed counsel for PSC matters.

8. LAND AND RIGHTS-OF-WAY: All land in 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 District 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 District to pay for the same without jeopardizing the security of or payments on the Bonds.

9. MEETINGS: All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the District 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 specially called and held pursuant to all applicable statutes and the rules of procedure of the 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.

10. GRANTS: The Project is being partially funded with proceeds of a grant from the United States Environment Protection Agency in the amount of $7,651,320 which grant is in full force and effect.

11. INSURANCE: The District will maintain or, as appropriate, will require all contractors to, maintain Worker's Compensation, public liability and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance where applicable, in accordance with the Resolution.

12. LOAN AGREEMENT: As of the date hereof, (i) the representations of the District 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 statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iii) to the best knowledge of the undersigned, no event affecting the District has occurred since the date of the Loan Agreement 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.

13. SPECIMEN BONDS: Attached hereto as Exhibit A are specimens of the Bonds which, except as to execution and authentication, are identical in all respects with such Bonds this day delivered to the Authority and being substantially in the form prescribed in the Resolution.

WITNESS our signatures and the official corporate seal of the Northern Wayne County Public Service District on this 16th day of February, 1989.

[SEAL]

Signature	Official Title
	Chairman
	Secretary-Treasurer
	Attorney

9744M

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND,
SERIES 1989 A

SPECIMEN

No. AR-1 $2,354,914

KNOW ALL MEN BY THESE PRESENTS: That NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Wayne County of said State (the "District"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority"), or registered assigns, the sum of Two Million Three Hundred Fifty-four Thousand Nine Hundred and Fourteen Dollars ($2,354,914), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum of set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1989 . 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 such office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement, dated March 16, 1989, between the District and the Authority.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the District (the "Project") by refunding and redeeming a portion of the District's Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series (the "Authority

EXHIBIT A

BAN"), issued to temporarily finance the costs of the acquisition and construction of the Project pending issuance of the District's bonds, 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"), a Resolution duly adopted by the District on the 30th day of January, 1989, and a Supplemental Resolution adopted by the District on the 13th day of March, 1989 (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 IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT AND SECURITY FROM THE NET REVENUES (AS DEFINED IN THE RESOLUTION) WITH $1,950,000 AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, ISSUED TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION (THE "SERIES 1989 B BONDS") ON FEBRUARY 15, 1989.

THIS BOND IS ISSUED CONCURRENTLY WITH THE SUBORDINATE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989, OF THE DISTRICT (THE "SUBORDINATE BONDS"), ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $349,086, WHICH SUBORDINATE BONDS ARE JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS AND SOURCES OF AND SECURITY FOR PAYMENT TO THE BONDS AND THE SERIES 1989 B 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, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1989 A Bonds Reserve Account") and unexpended proceeds of the Bonds and the Subordinate Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose.
This Bond does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District 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 1989 A Bonds Reserve Account and unexpended Bond and Subordinate Bonds proceeds. Pursuant to the Resolution, the District 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, including certain reserves required by the Public Service Commission of West Virginia, 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, the Subordinate Bonds and all other obligations secured by a lien or payable from such revenues prior to or on a parity with the Bonds or the Subordinate Bonds, including the Series 1989 B Bonds, provided however, that so long as the Series 1989 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 the Bonds in the then current on any succeeding year, the reserve account for the Subordinate Bonds is funded at an amount at least equal to the maximum amount of principal which will come due on the Subordinate 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 Bonds or the Subordinate Bonds, including the Series 1989 B Bonds, is

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funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The District 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 District, kept for that purpose at the office 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, this Bond under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses, as provided by law, shall be applied solely to the payment of the Costs of the Project, including the repayment of the Authority BAN, described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered 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 District, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the District for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, NORTHERN WAYNE 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 March 16, 1989.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

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CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1989 A 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: _____

SPECIMEN

ONE VALLEY BANK, NATIONAL ASSOCIATION, as Registrar

By: _____
Its Authorized Officer

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EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

Northern Wayne County Public Service District
Debt Service Schedule
Analysis of Borrowing from Series 1989 Pool
39 Principal Payments
Closing Date: 16-Mar-89

Date	Coupon	Principal	Interest	Debt Service 8.40% Bonds
01-Oct-89			107,148.59	107,148.59
01-Oct-90			197,812.78	197,812.78
01-Oct-91	8.40%	8,896.47	197,812.78	206,709.25
01-Oct-92	8.40%	9,643.78	197,065.47	206,709.25
01-Oct-93	8.40%	10,453.85	196,255.39	206,709.25
01-Oct-94	8.40%	11,331.98	195,377.27	206,709.25
01-Oct-95	8.40%	12,283.86	194,425.38	206,709.25
01-Oct-96	8.40%	13,315.71	193,393.54	206,709.25
01-Oct-97	8.40%	14,434.23	192,275.02	206,709.25
01-Oct-98	8.40%	15,646.70	191,062.55	206,709.25
01-Oct-99	8.40%	16,961.03	189,748.22	206,709.25
01-Oct-2000	8.40%	18,385.75	188,323.50	206,709.25
01-Oct-2001	8.40%	19,930.16	186,779.09	206,709.25
01-Oct-2002	8.40%	21,604.29	185,104.96	206,709.25
01-Oct-2003	8.40%	23,419.05	183,290.20	206,709.25
01-Oct-2004	8.40%	25,386.25	181,323.00	206,709.25
01-Oct-2005	8.40%	27,518.70	179,190.55	206,709.25
01-Oct-2006	8.40%	29,830.27	176,878.98	206,709.25
01-Oct-2007	8.40%	32,336.01	174,373.26	206,709.25
01-Oct-2008	8.40%	35,052.23	171,657.02	206,709.25
01-Oct-2009	8.40%	37,996.62	168,712.63	206,709.25
01-Oct-2010	8.40%	41,188.34	165,520.91	206,709.25
01-Oct-2011	8.40%	44,648.16	162,061.09	206,709.25
01-Oct-2012	8.40%	48,398.60	158,310.65	206,709.25
01-Oct-2013	8.40%	52,464.09	154,245.16	206,709.25
01-Oct-2014	8.40%	56,871.07	149,838.18	206,709.25
01-Oct-2015	8.40%	61,648.24	145,061.01	206,709.25
01-Oct-2016	8.40%	66,826.69	139,882.56	206,709.25
01-Oct-2017	8.40%	72,440.13	134,269.12	206,709.25
01-Oct-2018	8.40%	78,525.10	128,184.15	206,709.25
01-Oct-2019	8.40%	85,121.21	121,588.04	206,709.25
01-Oct-2020	8.40%	92,271.40	114,437.85	206,709.25
01-Oct-2021	8.40%	100,022.19	106,687.06	206,709.25
01-Oct-2022	8.40%	108,424.06	98,285.19	206,709.25
01-Oct-2023	8.40%	117,531.68	89,177.57	206,709.25
01-Oct-2024	8.40%	127,404.34	79,304.91	206,709.25
01-Oct-2025	8.40%	138,106.30	68,602.95	206,709.25
01-Oct-2026	8.40%	149,707.23	57,002.02	206,709.25
01-Oct-2027	8.40%	162,282.84	44,426.41	206,709.25
01-Oct-2028	8.40%	175,914.38	30,794.87	206,709.25
01-Oct-2029	8.40%	190,691.19	16,018.06	206,709.25
		2,354,914.00	6,011,708.11	8,366,622.11

SCHEDULED

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[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 of the within Bond of said District with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of: "SPECIMEN"

_____

LITHO BORDER ONLY BY MIDWEST BANK NOTE CO - PLYMOUTH MICH

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
SUBORDINATE SEWERAGE SYSTEM REVENUE BOND,
SERIES 1989

No. SR-1 $349,086

KNOW ALL MEN BY THESE PRESENTS: That NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Wayne County of said State (the "District"), 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 Three Hundred Forty-nine Thousand and Eighty-six Dollars ($349,086), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

SPECIMEN

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement, dated March 16, 1989, between the District and the Authority.

This Bond is issued to (i) permanently finance a portion of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the District (the "Project") and (ii) to pay certain costs of issuance hereof and related costs. The proceeds of the Bond will, simultaneously with the issuance hereof, be used to pay a portion of the District's Bond Anticipation Notes, West Virginia Water Development Authority Series (the "Authority BAN"), which were issued to temporarily finance a portion of the Project pending the issuance of the Bonds and the Series 1989 A Bonds, as hereinafter defined. 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"), a Bond and Note Resolution duly adopted by the District on the 30th day of January, 1989, and a Supplemental Resolution duly adopted by the District on the 13th day of March, 1989 (collectively, the "Resolution"), and is subject to all the terms and conditions

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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 IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, OF THE DISTRICT (THE "SERIES 1989 A BONDS"), ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $2,354,914 AND DESCRIBED IN THE RESOLUTION AND IS ALSO JUNIOR AND SUBORDINATE TO CERTAIN SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 B, PREVIOUSLY ISSUED TO THE UNITED STATES OF AMERICA, FARMERS HOME ADMINISTRATION IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,950,000 (THE "SERIES 1989 B 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 after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1989 A Bonds and the Series 1989 B Bonds herein described and from all moneys in the reserve account (the "Subordinate Bonds Reserve Account") created under the Resolution for the bonds of this series (the "Bonds") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Subordinate Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution, the District 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, including certain reserves required by the Public Service Commission of West Virginia, 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, the Series 1989 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1989 A Bonds, including the Series 1989 B Bonds, provided, however, that so long as the Subordinate Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal which will become due on the Bonds in the then current or any succeeding year, the reserve account for the Series 1989 A Bonds is funded at an amount at least equal to the maximum amount of principal and interest which will become due on the Series 1989 A Bonds in the then current or any succeeding year, and the reserve account for any prior or parity obligations, including the Series 1989 B Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The District 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 One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") by the registered owner, or by its attorney duly

SPECIMEN

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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 as set forth herein, this Bond under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Resolution including the repayment of the Authority BAN, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of this Bond; provided that the lien on such moneys shall be subordinate to the lien in favor of the registered owners of the Series 1989 A Bonds.

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 District, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the District for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, NORTHERN WAYNE 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 March 16, 1989.

"SPECIMEN"

[SEAL]

_____
Chairman

ATTEST:

"SPECIMEN"

_____
Secretary

LITHO BORDER ONLY BY MIDWEST BANK NOTE CO.—PLYMOUTH, MICH.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: _____

"SPECIMEN"

ONE VALLEY BANK, NATIONAL ASSOCIATION, as Registrar

By _____
Its Authorized Officer

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EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

Northern Wayne County Public Service District
Debt Service Schedule
Analysis of Borrowing from Series 1989 Pool
39 Principal Payments
Closing Date: 16-Mar-89

Date	Interest Free Loan
01-Oct-89	
01-Oct-90	
01-Oct-91	
01-Oct-92	8,951.04
01-Oct-93	8,950.92
01-Oct-94	8,950.92
01-Oct-95	8,950.92
01-Oct-96	8,950.92
01-Oct-97	8,950.92
01-Oct-98	8,950.92
01-Oct-99	8,950.92
01-Oct-2000	8,950.92
01-Oct-2001	8,950.92
01-Oct-2002	8,950.92
01-Oct-2003	8,950.92
01-Oct-2004	8,950.92
01-Oct-2005	8,950.92
01-Oct-2006	8,950.92
01-Oct-2007	8,950.92
01-Oct-2008	8,950.92
01-Oct-2009	8,950.92
01-Oct-2010	8,950.92
01-Oct-2011	8,950.92
01-Oct-2012	8,950.92
01-Oct-2013	8,950.92
01-Oct-2014	8,950.92
01-Oct-2015	8,950.92
01-Oct-2016	8,950.92
01-Oct-2017	8,950.92
01-Oct-2018	8,950.92
01-Oct-2019	8,950.92
01-Oct-2020	8,950.92
01-Oct-2021	8,950.92
01-Oct-2022	8,950.92
01-Oct-2023	8,950.92
01-Oct-2024	8,950.92
01-Oct-2025	8,950.92
01-Oct-2026	8,950.92
01-Oct-2027	8,950.92
01-Oct-2028	8,950.92
01-Oct-2029	8,950.92
	349,086.00

ECIMER

6 LITHO BORDER ONLY BY MIDWEST BANK NOTE CO—PLYMOUTH MICH

[Form of Assignment]

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

_____

_____

_____

_____

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

Dated: _____, _____.

_____

In the presence of:

"SPECIMEN"

_____

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NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

$2,354,914 Sewerage System Revenue Bonds, Series 1989 A

$349,086 Subordinate Sewerage System
Revenue Bonds, Series 1989

CERTIFICATE OF SECRETARY-TREASURER AS TO TRUTH AND ACCURACY OF DOCUMENTS DELIVERED

I, the undersigned Steven Thompson, Secretary-Treasurer of the Public Service Board (the "Board") of Northern Wayne County Public Service District (the "District"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of Northern Wayne County Public Service District $2,354,914 Sewerage System Revenue Bonds, Series 1989 A and $349,086 Subordinate Sewerage System Revenue Bonds, Series 1989 (the "Bonds"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the District and delivered in the transcript of proceedings, that said documents have been duly adopted or entered by the Board, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Rules of Procedure.

2. Sunshine Resolution.

3. Order of The County Commission of Wayne County (the "County Commission") creating the District.

4. Order of the County Commission appointing current Board members.

5. Certificate as to Oaths of Office of Board members.

6. West Virginia Water Development Authority ("WDA") Loan Agreement and Supplemental Loan Agreement, both dated March 16, 1989.

7. United States Environmental Protection Agency grant agreement dated June 29, 1984, as amended on April 4, 1987, with evidence of Part B approval.

8. Minutes of 1989 organizational meeting of the Board.

9. Minutes of the January 30, 1989, special meeting of the Board, wherein the Bond and Note Resolution was adopted.

10. Minutes of March 13, 1989, special meeting of the Board, wherein the Supplemental Resolution with respect to the Bonds was adopted.

11. Bond and Note Resolution.

12. Supplemental Resolution.

WITNESS my signature and the official seal of the Northern Wayne County Public Service District as of the 16th day of March, 1989.

Steven L Gibson

Secretary-Treasurer, Public
Service Board,
Northern Wayne County Public
Service District

(SEAL)

1189M

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

CERTIFICATE AS TO NON-ARBITRAGE

I, Herman E. Wellman, Chairman of the Public Service Board of Northern Wayne County Public Service District, in Wayne County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of $2,354,914 aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 A, of the Issuer, dated March 16, 1989 (the "Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986 and applicable regulations (the "Code"). I am one of the officers of the Issuer charge with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.

2. This certificate may be relied upon as the certificate of the Issuer.

3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer and certification of which may not be relied upon by holders of obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on March 16, 1989, the date on which the Bonds are to be physically delivered in exchange for 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 and Note Resolution pursuant to which the Bonds are issued, the Issuer has covenanted to make no use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

6. The Bonds were sold on March 16, 1989, to the West Virginia Water Development Authority (the "Authority") for an aggregate purchase price of $2,354,914 (100% of par). Simultaneously with the issuance of the Bonds, the Issuer issued it $349,086 in aggregate principal amount of Subordinate Sewerage System Revenue Bonds, Series 1989 (the "Subordinate Bonds") to the Authority. The Subordinate Bonds bear no interest.

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of a sewage collection and transportation system of the Issuer (the "Project"), and (ii) paying costs of issuance and other costs in connection therewith. The proceeds of the Bonds and the Subordinate Bonds will be applied simultaneously with the issuance thereof to the payment in full of the Issuer's outstanding Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series, which Notes were issued to temporarily finance the costs of the Project pending the issuance of the Bonds and the Subordinate Bonds.

8. The Issuer has issued certain Sewerage System Revenue Bonds, Series 1989 B (the "FmHA Bonds") as partial permanent financing for the Project and its Sewerage System Bond Anticipation Bonds, Series 1989 (the "BANs") for partial temporary financing of the Project pending receipt of the FmHA Bonds proceeds. The Issuer has also issued its promissory note to The County Commission of Wayne County to evidence the loan of $1,600,000 to the Issuer pending receipt of the EPA Grant Receipts. Construction of the Project is expected to be completed by September, 1990.

9. The total cost of the Project is estimated at $12,530,320. Sources and uses of funds for the Project are as follows:

SOURCES

FmHA Bonds	1,950,000
Bonds and Subordinate Bonds	2,704,000
EPA Grant	7,651,320
Tap Fees	225,000
Total Sources	$12,530,320

USES

Construction Contracts	$ 9,362,250
Technical Service	1,606,310
Legal and Fiscal	126,788
Administrative	139,607
Land Purchase and Rights of Way	50,000
Other Costs	171,200
Interim Financing Costs	322,105
Contingency	460,000
Interest on Bonds	292,060
Total Uses	$12,530,320

The amount of Project costs not expected to be reimbursed or paid from proceeds and funds of the Issuer lawfully available therefor is estimated to be at least equal to the gross proceeds of the Bonds. Proceeds of the Bonds, the Subordinate Bonds, FmHA Bonds and BANs and such other funds of the Issuer and interest earnings during construction, will be available to meet costs of the Project, and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

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

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Bond Construction Trust Fund;

(4) Series 1989 A Bonds Sinking Fund, and within the Series 1989 A Bonds Sinking Fund, the Series 1989 A Bonds Reserve Account;

(5) Subordinate Bonds Sinking Fund, and within the Subordinate Bonds Sinking Fund, the Subordinate Bonds Reserve Account;

(6) Authority BAN Sinking Fund, and within the Authority BAN Sinking Fund, the Authority BAN Reserve Account.

11. Pursuant to Article VI of the Bond and Note Resolution, the proceeds of the Bonds will be deposited as follows:

(1) Bonds proceeds in the amount of $0 will be deposited in the Sinking Fund and used to pay interest on the Bonds. The Issuer will transfer $274,596.67 from the Authority BAN Sinking Fund to the Sinking Fund to pay interest on the Bonds during construction of the Project.

(2) Bonds proceeds in the amount of $0.00 will be deposited in the Reserve Account.

(3) The balance of the proceeds of the Bonds will be applied to the payment of a portion of the Authority BAN.

12. Moneys held in the Series 1989 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to meet costs of construction of the Project. To the extent not required by the Resolution to be deposited in the Earnings Fund and the Rebate Fund, all investment earnings on moneys in the Series 1989 A Bonds Sinking Fund and Reserve Account will be annually withdrawn therefrom and deposited into the Bond Construction Trust Fund until completion of the Project, and thereafter will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied in full, first to the next ensuing interest payment, if any, due on the Bonds, and then to the next ensuing principal payment due thereon.

13. Except for the Series 1989 A Bonds Sinking Fund and the Series 1989 A Bonds Reserve Account, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Bonds, or which are pledged as collateral for Bonds, and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Renewal and Replacement Fund will be used or needed for payments upon the Bonds. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts or other investment-type property producing a yield in excess of the yield on the Bonds, have been or will be pledged to payment of the Bonds. Less than 10% of the proceeds of the Bonds will be deposited in the Reserve Account or any other reserve or replacement fund. The amounts deposited in the Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest on the Bonds and will not exceed 125% of average annual principal and interest on the Bonds. Amounts in the Reserve Account, not to exceed 10% of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Reserve Account is required by the Authority, is vital to its purchase of the Bonds and is reasonably required to assure payments of debt service on the Bonds.

14. The Issuer entered into contracts for the construction of the Project on February 15, 1989, and construction commenced on or about March 1, 1989.

15. Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within 18 months.

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

17. With the exception of the amounts deposited in the Sinking Fund, for payment of interest on the Bonds and amounts deposited in the Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 18 months from the date of issuance thereof.

18. Any money deposited in the Sinking Fund for payment of the principal and interest on the Bonds (other than the Reserve Account therein) will be spent within a 13-month period beginning on the date of receipt.

19. All the proceeds of the Bonds which were used for the payment of costs of the Project will be expended for such purposes within 3 years of March 16, 1989.

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

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

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

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

24. Neither the original proceeds of the Bonds will exceed the amount necessary for the purposes of either issue.

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

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

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

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

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

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

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

32. The Issuer shall submit to the Authority within 15 days following the end of the Issuer's bond year a certified copy of its rebate calculation or if the Issuer qualifies for the small governmental issuer exception to rebate, then the Issuer shall submit to the Authority a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Bonds subject to rebate.

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

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

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

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

IN WITNESS WHEREOF, I have set my hand this 16th day of March, 1989.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

By Herman E. Dellman
Chairman, Public Service Board

1188M

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

$2,354,914 Sewerage System Revenue Bonds, Series 1989 A

$349,086 Subordinate Sewerage System
Revenue Bonds, Series 1989

CERTIFICATE OF CONSULTING ENGINEER

I, Charles T. Regula, Registered Professional Engineer, West Virginia License No. 6135, of Regula Engineering, Inc., Consulting Engineers, Huntington, West Virginia, hereby certify that my firm is engineer for the construction and acquisition of a new sewerage collection system (herein called the "Project") of Northern Wayne County Public Service District (the "District") to be constructed primarily in Wayne County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the District. Capitalized words not defined herein shall have the meaning set forth in the Bond and Note Resolution adopted by the Public Service Board of the District on January 30, 1989, and the Loan Agreement and Supplemental Loan Agreement by and between the District and the West Virginia Water Development Authority (the "Authority") dated March 16, 1989. The District has previously issued its $2,704,000 Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series to temporarily finance a portion of the Project pending issuance of the Bonds.

1. The Project is estimated to cost $12,530,320 and is being funded by (i) a grant from the United States Environmental Protection Agency ("EPA") in the amount of $7,651,320; (ii) the Bonds in the aggregate principal amount of $2,704,000; (iii) a loan from the United States Department of Agriculture, Farmers Home Administration in the amount of $1,950,000; and (iv) a loan from The County Commission of Wayne County in the amount of $1,600,000 pending receipt of the EPA grant receipts.

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by EMJ/McFarland Johnson Engineers, Inc. and 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 forty years, (iii) 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 entered into contracts with respect to said bids on February 15, 1989, (iv) the District has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the Public Service Board of the District and approved by the Public Service Commission of West Virginia are sufficient to comply with the provisions of Subsection 4.1(b)(ii) of the Loan Agreements, and (vi) that 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.

WITNESS my signature on this 16th day of March, 1989.

REGULA ENGINEERING, INC.

By Charles T. Regula
Charles T. Regula
License No. 6135

9745M

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

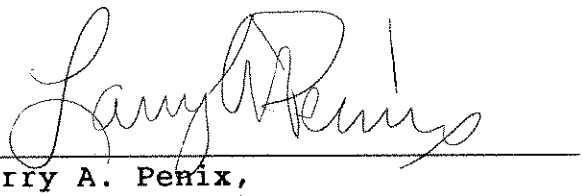
$2,354,914 Sewerage System Revenue Bonds, Series 1989 A

$349,086 Subordinate Sewerage System
Revenue Bonds, Series 1989

CERTIFICATE OF ACCOUNTANT AS TO COVERAGE

Larry A. Penix, Certified Public Accountant, has reviewed the sewer service rates which were adopted by the Northern Wayne County Public Service District (the "District") and which were approved in the Orders of the Public Service Commission of West Virginia granting the District a Certificate of Convenience and Necessity, approving the financing of the Project and approving the rates, dated November 23, 1988, December 7, 1988 and January 13, 1989. It is my opinion that those rates are adequate to pay operation and maintenance expenses, and to meet the debt service coverage requirements of the Bond Resolution (for the FmHA Bonds) adopted by the Public Service Board (the "Board") of the District on January 30, 1989, as supplemented, the Bond and Note Resolution adopted by the Board on January 30, 1989, and a Supplemental Resolution subsequently adopted by the Board on March 13, 1989, and are sufficient to comply with the provisions of Subsection 4.1(b)(ii) of the Loan Agreement and the Supplemental Loan Agreement entered into between the District and the West Virginia Water Development Authority on March 16, 1989.

WITNESS my signature as of this 16th day of March, 1989.



Larry A. Penix,
Certified Public Accountant
P. O. Box 2467
Charleston, West Virginia 25301

9743M

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 16th day of March, 1989, by and between NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "Governmental Agency"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its $2,354,914 Sewerage System Revenue Bonds, Series 1989 A (the "Primary Bonds"), in the form of one bond numbered AR-1 and its $349,086 Subordinate Sewerage System Revenue Bonds, Series 1989 (the "Subordinate Bonds"), in the form of one bond numbered SR-1, both in fully registered form (collectively the "Bonds"), pursuant to a Bond and Note Resolution duly adopted January 30, 1989, and a Supplemental Resolution adopted March 13, 1989 (collectively, the "Resolution");

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENTAL AGENCY

Northern Wayne County Public Service District
4444 Fifth Street Road
Lavalette, West Virginia 25535
Attention: Chairman

REGISTRAR:

One Valley Bank, National Association
One Valley Square
P. O. Box 1793
Charleston, West Virginia 25326
Attention: Corporate Trust

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

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

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

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

By: Herman E. Wellman
Chairman, Public Service Board

ONE VALLEY BANK, NATIONAL ASSOCIATION

By: Charlotte S. Morgan
Authorized Officer

9747M

EXHIBIT A

E X H I B I T A

See Tab No. 10 -- Bond and Note Resolution

See Tab No. 12 -- Supplemental Resolution

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

NEW ISSUE REPORT FORM

Date of Report: March 16, 1989

(See Reverse for Instructions)

ISSUE: $2,354,914 Northern Wayne County Public Service District Sewerage System Revenue Bonds, Series 1989 A

ADDRESS: 4444 Fifth Street Road, Lavalette, WV 25535 COUNTY: Wayne

PURPOSE OF ISSUE: New Money ___ Refunding X Refunds issue(s) dated: February 15, 1989

ISSUE DATE: March 16, 1989 CLOSING DATE: March 16, 1989

ISSUE AMOUNT: $ 2,354,914 RATE: 8.40%

1st DEBT SERVICE DUE: October 1, 1989 1st PRINCIPAL DUE: October 1, 1991

1st DEBT SERVICE AMOUNT: $53,574.29 PAYING AGENT: WV Municipal Bond Commission

ISSUERS

BOND COUNSEL: Jackson & Kelly
Contact Person: Samme L. Gee, Esquire
Phone: (304) 340-1318

DEPOSITORY BANK: Wayne County Bank
Contact Person: Dwight D. Russell
Phone: (304) 272-5141

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Herman Wellman
Position: Chairman
Phone: (304) 523-0224

UNDERWRITERS

BOND COUNSEL: N/A
Contact Person:
Phone:

REGISTRAR ESCROW TRUSTEE: One Valley Bank, National Association
Contact Person: Charlotte S. Morgan
Phone: (304) 348-7239

OTHER: WV Water Development Authority
Contact Person: Daniel B. Yonkosky
Function: Original Purchaser
Phone: (304) 348-3612

DEPOSITS TO MBC AT CLOSE:

By ___ Wire
___ Check

___	Accrued Interest:	$
___	Capitalized Interest:	$
___	Reserve Account:	$
___	Other:	$

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By X Wire
___ Check
___ IGT

___	To Escrow Trustee:	$
___	To Issuer:	$
___	To Cons. Invest. Fund:	$
X	To Other: To One Valley Bank, National Association for WV Water Development Authority	$ 17,463.33

NOTES:

BALANCE IN BAN SINKING FUND TO BOND SINKING FUND FOR INTEREST DURING CONSTRUCTION

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED:

TRANSFERS REQUIRED:

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

NEW ISSUE REPORT FORM

Date of Report: March 16, 1989

(See Reverse for Instructions)

ISSUE: $349,086 Northern Wayne County Public Service District Subordinate Sewerage System Revenue Bonds, Series 1989 ("C" Bond)

ADDRESS: 4444 Fifth Street Road, Lavalette, WV 25535 COUNTY: Wayne

PURPOSE OF ISSUE: New Money ___ Refunding X Refunds issue(s) dated: February 15, 1989

ISSUE DATE: March 16, 1989 CLOSING DATE: March 16, 1989

ISSUE AMOUNT: $ 349,086 RATE: -0-

1st DEBT SERVICE DUE: October 1, 1991 1st PRINCIPAL DUE: October 1, 1991

1st DEBT SERVICE AMOUNT: $4,475.52 PAYING AGENT: WV Municipal Bond Commission

ISSUERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme L. Gee, Esquire

Phone: (304) 340-1318

DEPOSITORY ~~DEPOSITORY~~ BANK: Wayne County Bank

Contact Person: Dwight D. Russell

Phone: (304) 272-5141

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Herman Wellman

Position: Chairman

Phone: (304) 523-0224

UNDERWRITERS

BOND COUNSEL: N/A

Contact Person:

Phone:

REGISTRAR ~~ESCROW TRUSTEE~~: One Valley Bank, National Association

Contact Person: Charlotte S. Morgan

Phone: (304) 348-7239

OTHER: WV Water Development Authority

Contact Person: Daniel B. Yonkosky

Function: Original Purchaser

Phone: (304) 348-3612

DEPOSITS TO MBC AT CLOSE:

By ___ Wire
___ Check

___ Accrued Interest: $
___ Capitalized Interest: $
___ Reserve Account: $
___ Other: $

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By ___ Wire
___ Check
___ IGT

___ To Escrow Trustee: $
___ To Issuer: $
___ To Cons. Invest. Fund: $
___ To Other: $

NOTES:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED:

TRANSFERS REQUIRED:

LOAN PROGRAM II
REQUISITION AS TO LOAN TO GOVERNMENTAL AGENCY

TO: ONE VALLEY BANK, NATIONAL ASSOCIATION, Trustee

A. Name of Governmental Agency to which payment is to be made: Northern Wayne County Public Service District

B. Total Amount to be paid: $2,354,914

C. Certification by Water Development Authority:

I hereby certify that under the terms and provisions of the Loan Agreement providing for the Loan to the above-captioned Governmental Agency, dated as of March 16, 1989, said Governmental Agency has sold its Local Bonds to the Authority in the principal amount equal to the amount of the Loan set forth in B above, that such Governmental Agency is obligated to make Local Bonds Payments and to pay Fees and Charges in accordance with Section 9.09 of the General Resolution and that such Governmental Agency is not in default under any of the terms or provisions of said Loan Agreement.

I further certify that the Local Bonds Payments, the Supplemental Bonds Payments, and other moneys available therefor, will be sufficient to pay interest on and Principal Installments of the Bonds, the proceeds of which were used to fund the Loan Obligation, as such interest and Principal Installments come due.

The above certifications comply with Subsections 6.06(2)(a)(ii) and (v) of the General Resolution.

Daniel B. Yankosky
Authorized Representative
West Virginia Water Development Authority

DATE: March 16, 1989

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto One Valley Bank, National Association, Charleston, West Virginia, the $2,354,914 Northern Wayne County Public Service District Sewerage System Revenue Bonds, Series 1989 A and standing in the name of the West Virginia Water Development Authority on the books of said Governmental Agency.

Dated: March 16, 1989

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

Daniel B. Yankosky

Authorized Representative

9751M

MEMORANDUM OF UNDERSTANDING BETWEEN THE
WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT
DATED MARCH 16, 1989

This Memorandum of Understanding sets forth the procedure for transferring funds in connection with transactions between the West Virginia Water Development Authority (the "WDA") and the Northern Wayne County Public Service District (the "District") taking place on March 16, 1989. On March 16, 1989, the District will sell and deliver $2,354,914 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1989 A (the "Series A Bonds"), and $349,086 in aggregate principal amount of Subordinate Sewerage System Revenue Bonds, Series 1989 (the "Subordinate Bonds"; together, the "Bonds") to the WDA. The entire proceeds of the Bonds will be used on March 16, 1989 to pay the District's $2,704,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, West Virginia Water Development Authority Series (the "BAN") held by the WDA. The District will also pay to the WDA on March 16, 1989, $17,463.33 in interest on the BAN from February 15, 1989 to March 16, 1989.

The transfer of funds under the applicable documents would be as follows:

1. Upon receipt of the Series A Bonds and a requisition from the WDA, One Valley Bank, National Association, as trustee, together with the WDA, would cause the WDA's Account No. 103605

to be debited for $2,354,914 (the proceeds of the Series A Bonds).

2. Upon receipt of the Subordinate Bonds, the WDA would have its Account No. 1340813 debited for $349,086 (the proceeds of the Subordinate Bonds).

3. The entire proceeds of the Bonds ($2,704,000) would be "received" by the District and simultaneously deposited in the BAN Sinking Fund with the West Virginia Municipal Bond Commission (the "Commission").

4. The Commission's account containing the District's Authority BANs Sinking Fund would be credited with $2,704,000 (the proceeds of the Bonds).

5. The Commission's account containing the District's Authority BANs Sinking Fund would be debited $2,704,000 for payment of the BAN and at the direction of the District would be debited $17,463.33 for interest on the BAN.

6. The payment on the BAN ($2,704,000) would be received by the WDA and deposited in and credited to its Account No. 1340813.

7. The WDA would cancel and return the BAN certificate to the District.

The closing is scheduled for 10:00 a.m. on March 16, 1989. To expedite the transfer of funds, because the money

begins in WDA accounts and ends in a WDA account, the parties have agreed to effect the above-described transfer of funds by the WDA's transferring $2,354,914 from the WDA's Account No. 103605 to the WDA's Account No. 1340813 and transferring $349,086 from WDA's Account No. 1340813 to WDA's Account No. 1340813. In addition, the District will pay $17,463.33 from its Authority BANs Sinking Fund in whatever manner is acceptable to the Commission and the District.

Executed this 16th day of March, 1989.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Daniel B. Yankosky
Its: Director

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

By: Herman E. Wellman
Its:

cc: One Valley Bank, National Association, as Trustee
West Virginia Municipal Bond Commission

1294M

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Executed this 16th day of March, 1989.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Daniel B. Yankosky
Its: Director

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

By: Herman E. Wellman
Its: Chairman

cc: One Valley Bank, National Association, as Trustee
West Virginia Municipal Bond Commission

1294M

JACKSON & KELLY

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TELEPHONE 502-227-4000

March 16, 1989

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

Ladies and Gentlemen:

We are bond counsel to Northern Wayne County Public Service District (the "Governmental Agency"), a public corporation created and existing under the laws of, and a political subdivision of, the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated March 16, 1989 (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 March 16, 1989 (the "Governmental Agency Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Governmental Agency Bonds are in the principal amount of $2,354,914, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning October 1, 1989, at the respective rate and with principal payable in installments on October 1 in each of the years 1991 through 2029, inclusive, all as set forth in Exhibit A incorporated in and made a part of the Governmental Agency Bonds.

The Governmental Agency Bonds are issued for the purpose of acquiring and constructing a new sewerage collection and transportation system for the Government 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 Governmental Agency Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Governmental Agency Bonds have been authorized by a bond and note resolution (the "Local Act") duly adopted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement. The Governmental Agency 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 public corporation created and existing under the laws of, and a political subdivision of, the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Governmental Agency 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 Governmental Agency Bonds.

5. The Governmental Agency 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 on a parity with the lien of the Governmental Agency's $1,950,000 Sewerage System Revenue Bonds, Series 1989 B issued on February 15, 1989, all in accordance with the terms of the Governmental Agency Bonds and the Local Act, and have been duly issued and delivered to the Authority.

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

7. The interest on the Governmental Agency 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 net book income (adjusted current earnings for taxable years beginning after December 31, 1989) for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in the preceding sentence is subjesct to the condition that the Governmental Agency comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Governmental Agency Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Governmental Agency Bonds to be includable in gross income retroactive to the date of issuance of the Governmental Agency Bonds. The Governmental Agency has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences with respect to the Governmental Agency Bonds.

8. The Governmental Agency Bonds are, by statute, exempt from all taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the

Governmental Agency Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

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

We have examined executed Governmental Agency 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,

Jackson & Kelly

JACKSON & KELLY

ATTORNEYS AT LAW

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March 16, 1989

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

Ladies and Gentlemen:

We are bond counsel to Northern Wayne County Public Service District (the "Governmental Agency"), a public corporation created and existing under the laws of, and a political division of, the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated March 16, 1989 (the "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of a series of subordinate revenue bonds of the Governmental Agency, dated March 16, 1989 (the "Subordinate Bonds"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Subordinate Bonds are in the principal amount of $349,086, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years 1991 through 2029, inclusive, all as set forth in Exhibit A incorporated in and made a part of the Subordinate Bonds.

The Supplemental Loan Agreement is supplemental to a loan agreement dated March 16, 1989, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Subordinate Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement (the "Local Bonds"), which Local Bonds are issued simultaneously herewith; and the Governmental Agency's $1,950,000 Sewerage System Revenue Bonds, Series 1989 B issued February 15, 1989 (the "Series B Bonds").

The Subordinate Bonds are issued, together with the Local Bonds, for the purpose of acquiring and constructing a new sewerage collection and transportation 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 Subordinate Bonds are issued, and the Supplemental Loan Agreement that has been undertaken, including all schedules and exhibits to the Supplemental Loan Agreement. The Subordinate Bonds have been authorized by a bond resolution (the "Local Act") duly adopted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement. The Subordinate 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 Supplemental Loan Agreement.

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

1. The Supplemental Loan Agreement has been duly authorized by and executed 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 Supplemental Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a public corporation created and existing under the laws of, and a political subdivision of, the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Subordinate 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 Subordinate Bonds.

5. The Subordinate 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 second lien on and pledge of the net revenues of said System, all in accordance with the terms of the Subordinate Bonds and the Local Act, and have been duly issued and delivered to the Authority. Said lien and pledge are junior, subordinate and inferior to that created for the Local Bonds and the Series B Bonds.

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

7. The Subordinate Bonds are, by statute, exempt from direct taxation by the State of West Virginia and the other taxing bodies of the State.

No opinion is given herein as to the enforceability of remedies with respect to the Subordinate Bonds under any applicable bankruptcy, insolvency, moratorium or other laws affecting creditors rights.

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

Very truly yours,

Jackson & Kelly

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March 16, 1989

Northern Wayne County Public Service District
4444 Fifth Street Road
Lavalette, West Virginia 25535

Re: Northern Wayne County Public Service District
$2,354,914 Sewerage System Revenue Bonds,
Series 1989 A

Gentlemen:

We have examined a record of proceedings relating to the issuance of the $2,354,914 in aggregate principal amount of Northern Wayne County Public Service District Sewerage System Revenue Bonds, Series 1989 A (the "Bonds"), issued by Northern Wayne County Public Service District (the "District"), a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia, and a Non-Arbitrage Certificate executed by Herman E. Wellman, Chairman of the Public Service Board of the District on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Non-Arbitrage Certificate are sufficient to satisfy the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") to support the conclusion that the Bonds are not "arbitrage bonds" as therein defined.

No matters have come to our attention which in our opinion make unreasonable or incorrect the representations made in such certification.

Please be advised that this opinion is subject to the condition hat the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the Bonds not be "arbitrage bonds." Failure to comply with certain of such requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

Very truly yours,

Jackson & Kelly

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March 16, 1989

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

Jackson & Kelly
P. O. Box 553
Charleston, WV 25322

RE: Northern Wayne County Public Service District
$2,354.914 Sewerage System Revenue Bonds,
Series 1989 A

$349,086 Subordinate Sewerage System Revenue
Bonds, Series 1989

Ladies And Gentlemen:

I am counsel to Northern Wayne County Public Service District (the "District"). As such counsel, I have examined copies of the approving opinions of Jackson & kelly, as bond counsel, relating to the above-captioned bonds of the District (the "Bonds"), the Loan Agreement and Supplemental Loan Agreement by and between the West Virginia Water Development Authority (the "Authority") and the District, both dated March 16, 1989, and a Bond and Note Resolution duly adopted by the Public Service Board of the District on January 30, 1989, as supplemented by a Supplemental Resolution adopted March 13, 1989 (collectively, the "Resolution"), and other documents relating to the Bonds. Terms used in said opinions, the Loan Agreement, Supplemental Loan Agreement and Resolution and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The Loan Agreement and Supplemental Loan Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Authority, constitute valid and binding agreements of District in accordance with their terms.

2. The members of the Public Service Board were duly and properly appointed and are thereby authorized to act on behalf of the District.

3. The Resolution has been duly adopted by the Public Service Board of the District and is in full force and effect.

4. The District has obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Bonds, construction of the Project and imposition of rates and charges and has taken any and all other action required for the imposition of such rates and charges and the appeal period from such orders has expired.

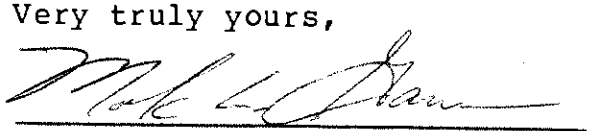
5. The execution and delivery of the Bonds and the Loan Agreement and Supplemental Loan Agreement and the consummation of the transactions contemplated by the Loan Agreement or the Supplemental Loan Agreement, and the carrying out of the terms thereof, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or any existing law, regulation, court order or consent decree to which the District is subject.

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

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

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

Very truly yours,



Counsel to Northern Wayne
County Public Service
District

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March 16, 1989

Northern Wayne County Public
Service District
4444 Fifth Street Road
Lavalette, West Virginia 25535

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

Jackson & Kelly
1600 Laidley Tower
Post Office Box 553
Charleston, West Virginia 25322

Re: $2,704,000 Northern Wayne County Public Service District Sewerage System Revenue Bonds

Gentlemen:

I have served as counsel to Northern Wayne County Public Service District (the "Issuer") in regard to certain matters concerning the Public Service Commission of West Virginia. I was active in obtaining the Issuer's Certificate of Convenience and Necessity granted by Orders dated November 23, 1988, December 7, 1988 and January 13, 1989. I am also familiar with the Rate Ordinance adopted by the Board of the Public Service District on January 30, 1989. Pursuant to the above-noted documents, I am of the opinion as follows:

1. The Issuer has received a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia and said Certificate is in full force and effect and the appeal period has expired therefrom.

2. The Rate Ordinance adopted on January 30, 1989, was duly adopted by the Board of the Issuer and is in full force and effect.

3. The Issuer has the authority under Article 13A of Chapter 16 of the West Virginia Code to adopt the rates which have been approved by the Public Service Commission and the revenues from said rates may be used to pay the debt service on the above-noted bonds and the operation and maintenance cost of the system.

This opinion may be relied upon as if addressed to all counsel.

Sincerely,

Robert R. Rodecker

Robert R. Rodecker

RRR/nal