

SOUTH PUTNAM PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1999 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)
AND SERIES 1999 B
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

BOND RESOLUTION

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SOUTH PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE OUTSTANDING WATER REVENUE BONDS OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$6,440,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), AND NOT MORE THAN \$5,425,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1999 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND RATIFYING LOAN AGREEMENTS RELATING TO THE SERIES 1999 A BONDS AND SERIES 1999 B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT :

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer presently owns a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public waterworks system of the Issuer, including the acquisition of the assets of Kanawha Orchard Public Service District and the construction of water mains and a booster pump, together with all appurtenant facilities (collectively, the aforementioned acquisition and construction are referred to herein as the "Project") (the existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

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

D. The Issuer has determined that, by refunding its outstanding water revenue bonds, it can achieve significant savings and remove burdensome covenants in the resolutions approving the Prior Bonds. The Issuer has the following water revenue bonds outstanding (i) Water Revenue Bonds, Series 1978, dated December 18, 1978 (the "Series 1978 Bonds"), issued in the original aggregate principal amount of \$460,000; (ii) Water Revenue Bonds, Series 1989 A, dated June 27, 1989 (the "Series 1989 A Bonds"), issued in the original aggregate principal amount of \$880,000; (iii) Water Revenue Bonds, Series 1989 B, dated June 27, 1989 (the "Series 1989 B Bonds"), issued in the original aggregate principal amount of \$54,475.03; (iv) Water Revenue Bonds, Series 1990 A, dated October 23, 1990 (the "Series 1990 A Bonds"), issued in the original aggregate principal amount of \$1,750,000; (v) Water Revenue Bonds, Series 1990 B, dated October 23, 1990 (the "Series 1990 B Bonds"), issued in the original aggregate principal amount of \$250,000; and (vi) Water Revenue Bonds, Series 1998 A, dated April 14, 1998 (the "Series 1998 A Bonds"), issued in the original aggregate principal amount of \$1,701,172.93, (collectively, the "Prior Bonds").

E. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), in the aggregate principal amount of not more than \$6,440,000 (the "Series 1999 A Bonds"), and Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), in the aggregate principal amount of not more than \$5,425,000 (the "Series 1999 B Bonds") (collectively, the "Series 1999 Bonds"), to permanently finance the costs of acquisition and construction of the

Project and the costs of currently refunding the Prior Bonds. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1999 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); amounts payable to the holder of the Prior Bonds to currently refund the Prior Bonds; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, commitment fees, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1999 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, the refunding of the Prior Bonds and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1999 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 1999 A Bonds and Series 1999 B Bonds be sold to the Authority pursuant to the terms and provisions of loan agreements to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by the Supplemental Resolution of the Issuer.

H. There is an outstanding obligation of the Issuer which will rank junior and subordinate to the Series 1999 Bonds as to liens, pledge and source of and security for payment, being the Issuer's Water System Note, Series 1997 (the "Series 1997 Note"), dated October 30, 1997, issued in the original principal amount of not to exceed \$250,000. The Issuer has obtained the consent of the Holder of the Series 1997 Note to the issuance of the Series 1999 Bonds senior and prior to the lien on Surplus Revenues in favor of the Holder of the Series 1997 Note. Following the refunding of the Prior Bonds and other than the Series 1997 Note, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreements relating to authorization of the acquisition, construction and operation of the Project and the System, the refunding of the Prior Bonds, and issuance of the

Series 1999 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council, the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1999 Bonds or such final order will not be subject to appeal or rehearing.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1999 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 1999 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

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

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

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

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

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

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

"Bonds" means, collectively, the Series 1999 Bonds and any bonds on a parity with the Series 1999 Bonds subsequently issued hereunder or pursuant to another resolution of the Issuer.

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

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

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

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

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

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

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

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

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

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

"Grants" means any Grant received by the Issuer for the Project.

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

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

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

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

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

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

"Net Proceeds" means the face amount of each series of Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Reserve Account for such series. 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 such series, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that all monthly amortization payments upon the Bonds and into the Reserve Accounts and Renewal and Replacement Fund have been made to the last monthly payment date prior to the date of such retention.

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

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

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

"Prior Bonds" means the Issuer's Water Revenue Bonds, Series 1978, Series 1989 A, Series 1989 B, Series 1990 A, Series 1990 B and Series 1998 A, as described in Section 1.02D hereof.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of

Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

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

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

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;
- (e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that

said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

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

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

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the Series 1999 A Bonds Reserve Account and the Series 1999 B Bonds Reserve Account.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Series 1999 A Bonds Reserve Account and the Series 1999 B Bonds Reserve Account.

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

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

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

"Series 1999 A Bonds" means the not more than \$6,440,000 in aggregate principal amount of Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), of the Issuer, authorized by this Resolution.

"Series 1999 A Bonds Construction Trust Fund" means the Series 1999 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 1999 A Bonds Reserve Account" means the Series 1999 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 1999 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1999 A Bonds in the then current or any succeeding year.

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

"Series 1999 B Bonds" means the not more than \$5,425,000 in aggregate principal amount of Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), of the Issuer, authorized by this Resolution.

"Series 1999 B Bonds Refunding Trust Fund" means the Series 1997 B Bonds Refunding Trust Fund established by Section 5.01 hereof.

"Series 1999 B Bonds Reserve Account" means the Series 1999 B Bonds Reserve Account established by Section 5.01 hereof.

"Series 1999 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1999 B Bonds in the then current or any succeeding year.

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

"Series 1997 Note" means the Issuer's Water System Note, Series 1997, described in Section 1.02H hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 1999 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1999 Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Reserve Accounts and the Renewal and Replacement Fund.

"System" means the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for said system from any sources whatsoever.

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

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

the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND REFUNDING OF THE PRIOR BONDS

Section 2.01. Authorization of Acquisition and Construction of the Project and Refunding of the Prior Bonds. There is hereby authorized and ordered the refunding of the Prior Bonds, at an estimated cost of \$5,348,301.64, and the acquisition and construction of the Project, at an estimated cost of \$6,843,598, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1999 Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority.

The cost of the Project is estimated to be \$6,844,217.23, of which \$6,440,000 will be obtained from proceeds of the Series 1999 A Bonds, \$154,217.23 will be obtained from proceeds of the Series 1999 A Bonds, \$50,000 will be obtained from a grant by the State of West Virginia, \$50,000 will be obtained from a grant by The County Commission of Putnam County, \$64,861.17 will be obtained from funds of Kanawha Orchard Public Service District and \$303,598 will be obtained from other monies of the Issuer.

The cost of refunding the Prior Bonds is estimated to be \$5,348,301.64 which will be obtained from proceeds of the Series 1999 B Bonds in the amount of \$5,270,782.77 and a transfer from the debt service reserve fund for the Prior Bonds in the amount of \$77,518.87.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1999 Bonds, funding reserve accounts for the Series 1999 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1999 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1999 Bonds of the Issuer. The Series 1999 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority)," in the principal amount of not more than \$6,440,000, and "Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority)," in the principal amount of not more than \$5,425,000, and both shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1999 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest on the Series 1999 Bonds, if any, shall be deposited in or credited to the Series 1999 A Bond Construction Trust Fund and Series 1999 B Bond Refunding Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 1999 A Bonds shall be issued in such principal amounts, shall bear interest at such rate or rates, not exceeding the then legal maximum rate, 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 the Supplemental Resolution or as specifically provided in the Loan Agreements. The Series 1999 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1999 A Bonds shall be paid by check or draft of the Paying Agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

B. The Series 1999 B Bonds shall be issued in such principal amounts, shall bear interest at such rate or rates, not exceeding the then legal maximum rate, 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 the Supplemental Resolution or as specifically provided in the Loan Agreements. The Series 1999 B Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency

which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1999 B Bonds shall be paid by check or draft of the Paying Agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1999 Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority. The Series 1999 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. 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 Series 1999 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1999 A Bonds shall cease to be such officer of the Issuer before the Series 1999 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1999 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. The Bond Registrar for the Series 1999 Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 1999 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any Series 1999 Bond shall be conclusive evidence that such Series 1999 Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1999 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 Series 1999 Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1999 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1999 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

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

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate (where applicable) and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1999 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 1999 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1999 Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Series 1997 Note. The payment of the debt service of the Series 1999 A Bonds and the Series 1999 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, senior and prior to the lien on Surplus Revenues in favor of the Holder of the Series 1997 Note. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. A. The Issuer shall execute and deliver the Series 1999 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1999 Bonds to the original purchasers upon receipt of the documents set forth below:

- (1) If other than the Authority, a list of the names in which the Series 1999 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- (2) A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1999 Bonds to the original purchasers;
- (3) An executed and certified copy of the Bond Legislation;
- (4) An executed copy of the Loan Agreements;

(5) A receipt from the United States Department of Agriculture, Rural Utilities Service, reflecting payment in full of the Issuer's Prior Bonds; and

(6) The unqualified approving opinion of bond counsel on the Series 1999 Bonds.

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

(FORM OF SERIES 1999 A BOND)

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

No. AR-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Putnam County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), in installments on October 1 of each year, beginning October 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 199____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreements between the Issuer and the Authority, dated June 16, 1999.

This Bond is issued to provide funds, along with other available monies of the Issuer (i) to pay the costs of acquisition and construction of certain improvements and

extensions to the existing public waterworks system of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on June 15, 1999, and a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1999 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$5,425,000 (THE "SERIES 1999 B BONDS"), AND SENIOR AND PRIOR TO THE ISSUER'S WATER SYSTEM NOTE, SERIES 1997, DATED OCTOBER 30, 1997, ISSUED IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$250,000 (THE "SERIES 1997 NOTE").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1999 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1999 A Bonds Reserve Account") and unexpended proceeds of the Bonds, and senior and prior to the lien on Surplus Revenues in favor of the Holder of the Series 1997 Note. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other

obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1999 B Bonds; provided however, that so long as there exists in the Series 1999 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, including the Series 1999 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, SOUTH PUTNAM 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
_____, 199__.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

In the presence of:

(FORM OF SERIES 1999 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1999 B
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. BR-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Putnam County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), in installments on October 1 of each year, beginning October 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 199____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreements between the Issuer and the Authority, dated June 16, 1999.

This Bond is issued (i) to pay the costs of refunding the Prior Bonds of the Issuer; (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance

hereof and related costs. The existing public waterworks system of the Issuer, the Project constructed with the proceeds of the Series 1999 A Bonds (hereinafter defined) and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on June 15, 1999, and a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$6,440,000 (THE "SERIES 1999 A BONDS"), AND SENIOR AND PRIOR TO THE ISSUER'S WATER SYSTEM NOTE, SERIES 1997, DATED OCTOBER 30, 1997, ISSUED IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$250,000 (THE "SERIES 1997 NOTE").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1999 A Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1999 B Bonds Reserve Account") and unexpended proceeds of the Bonds, and senior and prior to the lien on Surplus Revenues in favor of the holder of the Series 1997 Note. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1999 A Bonds; provided however, that so long as there exists in the Series 1999 B Bonds Reserve Account an amount at least equal to the maximum

amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, including the Series 1999 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, SOUTH PUTNAM 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
_____, 199__.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

In the presence of:

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

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Series 1999 A Bonds Construction Trust Fund;
- (4) Series 1999 B Bonds Refunding Trust Fund; and
- (5) Rebate Fund.

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

- (1) Series 1999 A Bonds Sinking Fund;
- (2) Within the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account;
- (3) Series 1999 B Bonds Sinking Fund; and
- (4) Within the Series 1999 B Bonds Sinking Fund, the Series 1999 B Bonds Reserve Account.

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

(1) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

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

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

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

(4) The Issuer shall next, simultaneously, on the first day of each month, transfer from the Revenue Fund and (i) commencing 13 months prior to the first date of payment of principal of the Series 1999 A Bonds, if not fully funded upon issuance of the Series 1999 A Bonds, remit to the Commission for deposit in the Series 1999 A Bonds Reserve Account, an amount equal to 1/120th of the Series 1999 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1999 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1999 A Bonds Reserve Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 1999 B Bonds, if not fully funded upon issuance of the Series 1999 B Bonds, remit to the Commission for deposit in the Series 1999 B Bonds Reserve Account, an amount equal to 1/120th of the Series 1999 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1999 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1999 B Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement

Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, the Issuer shall pay the principal and interest on the Series 1997 Note, and, following such payments, any moneys remaining therein and not permitted to be retained therein may be used by the Issuer to prepay portions of the principal amount of the Bonds, pro rata, or for any lawful purpose of the System.

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

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

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the

Series 1999 A Bonds Sinking Fund and the Series 1999 A Bonds Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 1999 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1999 A Bonds, and then to the next ensuing principal payment due thereon.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 B Bonds Sinking Fund and the Series 1999 B Bonds Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1999 B Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1999 A Bonds Reserve Account or the Series 1999 B Bonds Reserve Account which result in a reduction in the balance of such accounts to below the Series 1999 A Bonds Reserve Requirement or the Series 1999 B Bonds Reserve Requirement, respectively, shall be subsequently restored from the first Net Revenues available after all required payments have been made as set forth above.

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 funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1999 A Bonds Sinking Fund or the Series 1999 A Bonds Reserve Account when the aggregate amount of funds therein is at least equal to the aggregate principal amount of the Series 1999 A Bonds issued pursuant to this Bond

Legislation then Outstanding and all interest to accrue until the maturity date thereof.

The Issuer shall not be required to make any further payments into the Series 1999 B Bonds Sinking Fund or the Series 1999 B Bonds Reserve Account when the aggregate amount of funds therein is at least equal to the aggregate principal amount of the Series 1999 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity date thereof.

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

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Renewal and Replacement Fund as herein provided, and all amounts required for the Reserve Account and the Renewal and Replacement Fund will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written directions stating the amount remitted for deposit into each such fund.

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

The Commission is hereby designated as the fiscal agent for the administration of the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account, the Series 1999 B Bonds Sinking Fund and the Series 1999 B Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at any time, the Issuer shall make the necessary arrangements whereby required payments into the Series 1999 A

Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account, the Series 1999 B Bonds Sinking Fund and the Series 1999 B Bonds Reserve Account shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required hereunder.

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

Except with respect to transfers to the Rebate Fund permitted hereunder, the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account, the Series 1999 B Bonds Sinking Fund and the Series 1999 B Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1999 A Bonds and the Series 1999 B Bonds, respectively, and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

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

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

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

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, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Series 1999 A Bonds Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

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

A. From the proceeds of the Series 1999 A Bonds, there shall first be deposited with the Commission in the Series 1999 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided that, such amount may not exceed the amount necessary to pay interest on the Series 1999 A Bonds for the period commencing on the date of issuance of the Series 1999 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1999 A Bonds, there shall be deposited with the Commission in the Series 1999 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1999 A Bonds Reserve Account, and from the proceeds of the Series 1999 B Bonds, there shall be deposited with the Commission in the Series 1999 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1999 B Bonds Reserve Account.

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

D. The proceeds derived from the sale of the Series 1999 B Bonds shall be deposited with the Depository Bank in the Series 1999 B Bonds Refunding Trust Fund and applied to pay the outstanding principal of and interest on the Prior Bonds, pay costs of issuance of the Series 1999 B Bonds, and to pay the Costs of the Project in the manner set forth in Section 6.03.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Series 1999 A Bonds Construction Trust Fund and the Series 1999 B Bonds Refunding Fund and shall comply with all requirements with respect to the disposition of the moneys in such funds set forth herein. Except with respect to any transfers to the Rebate Fund permitted hereunder, moneys in the Series 1999 A Bonds Refunding Fund and the Series 1999 B Bonds Refunding Trust Fund shall be used solely to pay the Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1999 A Bonds and the Series 1999 B Bonds, respectively.

Section 6.02. Disbursements From the Series 1999 A Bonds Construction Trust Fund. Except as provided in Section 6.01 hereof, disbursements from the Series 1999 A Bonds Construction Trust Fund (except for the costs of issuance of the Series 1999 Bonds which shall be made upon request of the Issuer) shall be made each month only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

- (i) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;
- (ii) 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;
- (iii) That each of such costs has been otherwise properly incurred; and
- (iv) 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 Series 1999 A Bonds Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Series 1999 A Bonds 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 Series 1999 A Bonds 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.

After completion of the Project, as certified by the Consulting Engineers, and all costs of the Project have been paid, the Depository Bank shall transfer any moneys remaining in the Series 1999 A Bonds Construction Trust Fund to the Series 1999 A Bonds Reserve Account, provided that, in no event shall more than 10% of the proceeds from the sale of the Series 1999 A Bonds be deposited in the Series 1999 A Bonds Reserve Account, and when the Series 1999 A Bonds Reserve Account is fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payment due on the Series 1999 A Bonds and thereafter to the next ensuing principal payment due thereon.

Pending such application, moneys in the Series 1999 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

All moneys in the Series 1999 A Bonds Construction Trust Fund and the Series 1999 B Bonds Refunding Trust Fund shall be kept separate and apart from each other.

Section 6.03. Disbursements From the Series 1999 B Bonds Refunding Trust Fund. The Issuer shall, immediately upon issuance of the Series 1999 B Bonds, pay to the holder of the Prior Bonds the amount necessary to pay in full the outstanding principal of and interest on the Prior Bonds. Further disbursements from the Series 1999 B Bonds Refunding Trust Fund shall be made upon request by the Issuer.

Pending such application, moneys in the Series 1997 B Bonds Refunding Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1999 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1999 Bonds or the interest thereon is Outstanding and unpaid.

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

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Series 1997 Note. The payment of the debt service of the Series 1999 A Bonds and the Series 1999 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, senior and prior to the lien on Surplus Revenues in favor of the holder of the Series 1997 Note. The Net Revenues in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered on May 28, 1999, in Case No. 98-0819-PWD-CN, and such rates are hereby adopted.

Section 7.05. Sale of the System. So long as the Series 1999 Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the

Commission for deposit in the Series 1999 A Bonds Sinking Fund and the Series 1999 B Bonds Sinking Fund and, with the written permission of the Authority, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Bonds. Any balance remaining after the payment of the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$50,000, the Issuer shall, in writing, 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 derived from any such sale shall be deposited in the Revenue 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 \$50,000 but not in excess of \$200,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and the Governing Body may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding in accordance with the laws of the State. The proceeds derived from any such sale shall be deposited in the Renewal and Replacement Fund.

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 \$200,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1999 Bonds. All obligations issued by the Issuer after the issuance of the Series 1999 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for

payment from such revenues and in all other respects, to the Series 1999 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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

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

Section 7.07. Parity Bonds. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of the Series 1999 Bonds pursuant to this Bond Legislation, except under the additional conditions and in the manner herein provided.

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

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding the Series 1999 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, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years after the date of issuance of such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired (without successful appeal) prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1999 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1999 Bonds.

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

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

The Issuer shall permit the Authority or its agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

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

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

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

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

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

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

Section 7.09. 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 the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 1999 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1999 Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 1999 A Bonds Reserve Account, the Series 1999 B Bonds Reserve Account and any reserve accounts for obligations prior to or on a parity with or junior to the Series 1999 Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 1999 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 1999 Bonds.

In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

Section 7.10. Operating Budget; Audit and Monthly Financial Report.

The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreements as Exhibit C, and forward a copy of such report to the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreements, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident

engineer shall certify to the Authority and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

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

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the sewerage system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the sewerage facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the sewerage system provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. No Free Services. Except as provided by law, 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 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 1999 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily 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 the 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 Agreements, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT

BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

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

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

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

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

Section 7.16. [Reserved]

Section 7.17. Completion and Operation of Project; Permits and Orders.
The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

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

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

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

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

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1999 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1999 Bonds, and shall be on a parity with each other.

Section 7.20. Compliance with Loan Agreements and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreements, the Act and all applicable laws, rules and regulations issued by the Authority, or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.21. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base), so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

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

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

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

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

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

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

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

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

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1999 Bonds:

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1999 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1999 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

Notwithstanding anything herein to the contrary, if default occurs in the due and punctual payment of the principal of or interest on either series of the Series 1999 Bonds, it shall constitute an "Event of Default" with respect to the other series of Series 1999 Bonds.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including, but not limited to, the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided that, all rights and remedies of the Holders of the Series 1999 Bonds shall be on a parity with each other and senior and prior to the rights of the Holder of the Series 1997 Note, if any.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and

making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE AND PAYMENT OF BONDS

Section 10.01. Defeasance of Series 1999 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1999 A Bonds or the Series 1999 B Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to such Series of Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of such Series of Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on such Series of Bonds from gross income for federal income tax purposes.

Series 1999 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1999 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1999 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1999 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1999 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 1999 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1999 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1999 Bonds shall be made without the consent in writing of the Registered Owners of the Series 1999 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 1999 Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 1999 Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1999 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 1999 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 1999 Bonds.

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

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

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

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

- (a) The maximum amount of the Series 1999 Bonds to be issued;
- (b) The maximum interest rate and terms of the Series 1999 Bonds authorized hereby;
- (c) The public service properties to be acquired or constructed and the cost of the same;
- (d) The maximum anticipated rates which will be charged by the Issuer; and
- (e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the Public Service Commission of West Virginia.

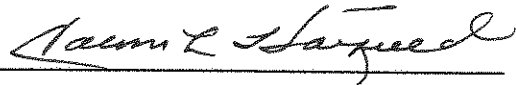
Section 11.08. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 15th day of June, 1999.

Chairman

A handwritten signature in cursive script, appearing to read "Carl S. Offenberg", written over a horizontal line.

Member

A handwritten signature in cursive script, appearing to read "James L. Harwood", written over a horizontal line.

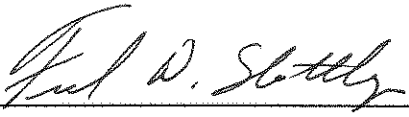
Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board
of SOUTH PUTNAM PUBLIC SERVICE DISTRICT on the 15th day of June, 1999.

Dated: June 16, 1999.

[SEAL]



Secretary

06/14/99
847280/99003

EXHIBIT A

Series 1999 A Bonds Loan Agreement included in transcript as Document 3.

EXHIBIT B

Series 1999 B Bonds Loan Agreement included in transcript as Document 3.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

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

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) AND SERIES 1999 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING LOAN AGREEMENTS RELATING TO THE SERIES 1999 A BONDS AND THE SERIES 1999 B BONDS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 1999 A BONDS AND THE SERIES 1999 B BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of South Putnam Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective June 15, 1999 (the "Bond Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE OUTSTANDING WATER REVENUE BONDS OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE

PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$6,440,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), AND NOT MORE THAN \$5,425,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1999 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND RATIFYING LOAN AGREEMENTS RELATING TO THE SERIES 1999 A BONDS AND SERIES 1999 B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds of the Issuer (collectively, the "Bonds"), to be issued in two series, being the Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), in an aggregate principal amount of not more than \$6,440,000 (the "Series 1999 A Bonds"), and the Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), in an aggregate principal amount of not more than \$5,425,000 (the "Series 1999 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 1999 A Bonds and a loan agreement relating to the Series 1999 B Bonds (collectively, the "Loan Agreements"), each by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreements and the exact principal amounts, dates, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreements have been presented to the Issuer at this meeting;

WHEREAS, the Series 1999 Bonds are proposed to be purchased by the Authority pursuant to the respective Loan Agreements; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT:

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

(A) Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$6,440,000. The Series 1999 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2038, and shall bear interest at the rate of 5.8% per annum, payable semiannually on April 1 and October 1 of each year, beginning October 1, 1999. The Series 1999 A Bonds shall be payable in annual installments of principal on October 1 of each year, commencing October 1, 2000, and ending October 1, 2038, and in the amounts as set forth in "Schedule X" attached to the Loan Agreement for the Series 1999 A Bonds and incorporated in and made a part of the Series 1999 A Bonds. The Series 1999 A Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement for the Series 1999 A Bonds, as long as the Authority shall be the registered owner of the Bonds.

(B) Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$5,425,000. The Series 1999 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2038, and shall bear interest at the rates set forth on Exhibit A attached to the Series 1999 B Bonds, payable semiannually on April 1 and October 1 of each year, beginning October 1, 1999. The Series 1999 B Bonds shall be payable in annual installments of principal on October 1 of each year, commencing October 1, 2000, and ending October 1, 2038, and in the amounts as set forth in "Schedule X" attached to the Loan Agreement for the Series 1999 B Bonds and incorporated in and made a part of the Series 1999 B Bonds. The Series 1999 B Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement for the Series 1999 B Bonds, as long as the Authority shall be the registered owner of the Bonds.

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

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

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar") for the Series 1999 Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Series 1999 Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1999 Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate Putnam County Bank, Hurricane, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 1999 A Bonds proceeds in the amount of \$450,000 shall be deposited in the Series 1999 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1999 A Bonds proceeds in the amount of \$390,605.60 shall be deposited in the Series 1999 A Bonds Reserve Account.

Section 9. Series 1999 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1999 B Bonds Sinking Fund as capitalized interest.

Section 10. Series 1999 B Bonds proceeds in the amount of \$356,614.84 shall be deposited in the Series 1999 B Bonds Reserve Account.

Section 11. The balance of the proceeds of the Series 1999 A Bonds shall be deposited in the Series 1999 A Bonds Construction Trust Fund, along with other funds of the Issuer, for payment of costs of the Project, including, without limitation, costs of issuance of the Series 1999 A Bonds and related costs.

Section 12. The balance of the proceeds of the Series 1999 B Bonds shall be deposited in the Series 1999 B Bonds Refunding Trust Fund for payment of costs of refunding the Prior Bonds, costs of issuance of the Series 1999 B Bonds and, to the extent proceeds are available, to pay Costs of the Project. Proceeds in the Series 1999 A Bonds Construction Trust Fund and in the Series 1999 B Bonds Refunding Trust Fund shall be kept separate and apart from each other.

Section 13. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 1999 Bonds may be delivered on or about June 16, 1999, to the Authority pursuant to the Loan Agreements.

Section 14. The acquisition and construction of the Project, the refunding of the Prior Bonds and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank, in time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such time accounts until further directed by the Issuer. Moneys in the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account, the Series 1999 B Bonds Sinking Fund and the Series 1999 B Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

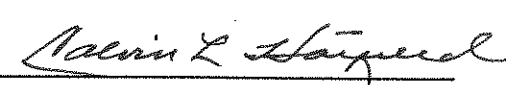
Section 16. The Issuer shall not permit at any time or times any of the proceeds of the Series 1999 Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 1999 Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 1999 Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 15th day of June, 1999.

SOUTH PUTNAM PUBLIC SERVICE
DISTRICT


Chairman


Member

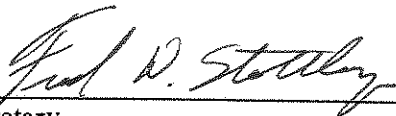
Member

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of SOUTH PUTNAM PUBLIC SERVICE DISTRICT on the 15th day of June, 1999.

Dated: June 16, 1999.

[SEAL]


Secretary

06/15/99
847280/98003

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

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

SECOND SUPPLEMENTAL RESOLUTION

SECOND SUPPLEMENTAL RESOLUTION PROVIDING FOR CERTAIN AMENDMENTS TO THE BOND RESOLUTION, ADOPTED JUNE 15, 1999, AUTHORIZING THE WATER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) AND SERIES 1999 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT.

WHEREAS, the Public Service Board (the "Governing Body") of South Putnam Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective June 15, 1999 (the "Bond Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE OUTSTANDING WATER REVENUE BONDS OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$6,440,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), AND NOT MORE THAN \$5,425,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1999 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS;

AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND RATIFYING LOAN AGREEMENTS RELATING TO THE SERIES 1999 A BONDS AND SERIES 1999 B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds of the Issuer (collectively, the "Series 1999 Bonds"), to be issued in two series, being the Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), in an aggregate principal amount of not more than \$6,440,000 (the "Series 1999 A Bonds"), and the Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), in an aggregate principal amount of not more than \$5,425,000 (the "Series 1999 B Bonds"), and on June 16, 1999, the Series 1999 Bonds were issued by the District;

WHEREAS, the Issuer has determined that certain amendments should be made to the Bond Resolution to more accurately reflect the terms of the Series 1999 Bonds and proposes to adopt this Second Supplemental Resolution to affect such amendments;

WHEREAS, the West Virginia Water Development Authority, as holder of the Series 1999 Bonds, has indicated that it will provide written consent to the District for the amendments to the Bond Resolution set forth in this Second Supplemental Resolution; and

WHEREAS, the Governing Body deems it essential and desirable that this second supplemental resolution (the "Second Supplemental Resolution") be adopted.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Section 11.01 of the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered the following amendments to the Bond Resolution:

(A) The definition of "Series 1999 A Bonds Reserve Requirement" in Section 1.04 shall be amended to read as follows:

"Series 1999 A Bonds Reserve Requirement" means, the lesser of (a) 10% of the stated principal amount of the Series 1999 A Bonds, (b) the maximum annual principal and interest requirements on the Series 1999 A Bonds, or (c) 125 percent of the average annual principal and interest requirements on the Series 1999 A Bonds.

(B) The definition of "Series 1999 B Bonds Reserve Requirement" in Section 1.04 shall be amended to read as follows:

"Series 1999 B Bonds Reserve Requirement" means, the lesser of (a) 10% of the stated principal amount of the Series 1999 B Bonds, (b) the maximum annual principal and interest requirements on the Series 1999 B Bonds, or (c) 125 percent of the average annual principal and interest requirements on the Series 1999 B Bonds.

(C) The Form of Series 1999 A Bond in Section 3.10 shall be amended to read as follows (the underlining reflects the amended language):

. . . provided however, that so long as there exists in the Series 1999 A Bonds Reserve Account an amount at least equal to the Series 1999 A Bonds Reserve Requirement, and in the respective reserve accounts . . .

(D) The Form of Series 1999 B Bond in Section 3.10 shall be amended to read as follows (the underlining reflects the amended language):

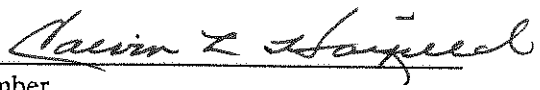
. . . provided however, that so long as there exists in the Series 1999 B Bonds Reserve Account an amount at least equal to the Series 1999 B Bonds Reserve Requirement, and in the respective reserve accounts . . .

Section 2. This Second Supplemental Resolution shall be immediately effective following adoption hereof and upon receipt by the Issuer of the consent of the West Virginia Water Development Authority, as registered owner of the Series 1999 Bonds, to the amendments to the Bond Resolution contained herein.

Adopted this 22nd day of June, 1999.

SOUTH PUTNAM PUBLIC SERVICE
DISTRICT


Chairman


Member

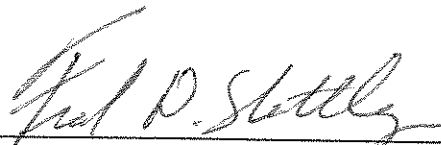

Member

CERTIFICATION

Certified a true copy of a Second Supplemental Resolution duly adopted by the Public Service Board of SOUTH PUTNAM PUBLIC SERVICE DISTRICT on the 22nd day of June, 1999.

Dated: June 22, 1999.

[SEAL]


Secretary

06/22/99
847280/98003

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").

SOUTH PUTNAM PUBLIC SERVICE DISTRICT (1999A)
(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 professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto.

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 "Origination Fee" means the fee paid by a Governmental Agency with respect to its participation in the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987, to provide funds for the acquisition and construction of wastewater Projects.

1.8 "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.

1.9 "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.

1.10 "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.

1.11 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 Division of Natural Resources (or in the process of preparation by such

Now administered by the West Virginia Division of Environmental Protection.

Director), has been approved by the West Virginia Bureau of Public 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 unless a sale or transfer of all or a portion of said property is approved by the Authority.

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

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

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation

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

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

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

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the 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.

2.12 The Governmental Agency, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority.

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 delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

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

Engineers to such effect the form of which certificate is attached hereto as Exhibit A;

(d) No Loan shall be made for the purpose of refinancing any outstanding long-term indebtedness of a Governmental Agency unless an opinion of counsel is received by the Authority to the effect that such refinancing is permitted by the Act and the Resolution, and that such refinancing will not cause a violation of any covenant, representation or agreement of the Authority contained in the Resolution or Tax Regulatory Agreement with respect to the exclusion of the interest on the Bonds from gross income of the holder thereof for federal income tax purposes;

(e) 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;

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

(g) 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;

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

(i) 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

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

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

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied

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

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

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

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

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

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

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

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

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

(xiii) That, 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;

(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;

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

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

(xx) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that

term is defined in the Code) from time to time as the Authority may request.

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

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

4.3 An Origination Fee Account shall be established with the Trustee to hold the portion of the proceeds of any Loan established to fund an Origination Fee. Amounts on deposit in an Origination Fee Account shall belong to the Governmental Agency receiving the related Loan, but such amounts may only be disbursed from the Account to pay the Origination Fee as and when required to satisfy the requirements of the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987 or for such other purposes as the Authority may approve in writing.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

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

4.9 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.

South Putnam Public Service District
[Proper Name of Governmental Agency]

(SEAL)

By: Carl S. Coffey

Its: Chairman

Attest:

Date: June 16, 1999

Paul D. Stottley
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: Daniel B. Gankosky
Director

Attest:

Date: June 16, 1999

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

1. The Bonds are being issued for the purpose of _____

(the "Project").

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

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

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia 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:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
-------------	--------------------	----------------------

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,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

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

Witnesseth my signature this ____ day of _____, 19__.

[Name of Governmental Agency]

By: _____
Authorized Officer

ABB0017F

WDA-5X
(May 1993)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ 6,440,000

Purchase Price of Local Bonds \$ 6,440,000

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semiannual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 5.8 % per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

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

As of the date of the Loan Agreement, the Local Bonds are subordinate as to source of and security for payment to the following obligations: Water System Note, Series 1997, dated October 30, 1997, issued in the original principal amount of not to exceed \$250,000.

South Putnam Public Service District, West Virginia
WDA Loan (Loan Program II, 1999 Series A) of \$6,440,000
Series A

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/1999	-	-	108,943.33	108,943.33
4/01/2000	-	-	186,760.00	186,760.00
10/01/2000	23,356.00	5.800%	186,760.00	210,116.00
4/01/2001	-	-	186,082.68	186,082.68
10/01/2001	17,431.00	5.800%	186,082.68	203,513.68
4/01/2002	-	-	185,577.18	185,577.18
10/01/2002	21,817.00	5.800%	185,577.18	207,394.18
4/01/2003	-	-	184,944.48	184,944.48
10/01/2003	21,592.00	5.800%	184,944.48	206,536.48
4/01/2004	-	-	184,318.32	184,318.32
10/01/2004	21,645.00	5.800%	184,318.32	205,963.32
4/01/2005	-	-	183,690.61	183,690.61
10/01/2005	27,000.00	5.800%	183,690.61	210,690.61
4/01/2006	-	-	182,907.61	182,907.61
10/01/2006	27,766.00	5.800%	182,907.61	210,673.61
4/01/2007	-	-	182,102.40	182,102.40
10/01/2007	28,891.00	5.800%	182,102.40	210,993.40
4/01/2008	-	-	181,264.56	181,264.56
10/01/2008	30,379.00	5.800%	181,264.56	211,643.56
4/01/2009	-	-	180,383.57	180,383.57
10/01/2009	32,316.00	5.800%	180,383.57	212,699.57
4/01/2010	-	-	179,446.40	179,446.40
10/01/2010	34,591.00	5.800%	179,446.40	214,037.40
4/01/2011	-	-	178,443.26	178,443.26
10/01/2011	37,472.00	5.800%	178,443.26	215,915.26
4/01/2012	-	-	177,356.58	177,356.58
10/01/2012	35,885.00	5.800%	177,356.58	213,241.58
4/01/2013	-	-	176,315.91	176,315.91
10/01/2013	39,967.00	5.800%	176,315.91	216,282.91
4/01/2014	-	-	175,156.87	175,156.87
10/01/2014	39,535.00	5.800%	175,156.87	214,691.87
4/01/2015	-	-	174,010.35	174,010.35
10/01/2015	44,578.00	5.800%	174,010.35	218,588.35
4/01/2016	-	-	172,717.59	172,717.59
10/01/2016	45,963.00	5.800%	172,717.59	218,680.59
4/01/2017	-	-	171,384.66	171,384.66
10/01/2017	47,979.00	5.800%	171,384.66	219,363.66
4/01/2018	-	-	169,993.27	169,993.27
10/01/2018	80,662.00	5.800%	169,993.27	250,655.27
4/01/2019	-	-	167,654.08	167,654.08
10/01/2019	83,981.00	5.800%	167,654.08	251,635.08
4/01/2020	-	-	165,218.63	165,218.63
10/01/2020	87,861.00	5.800%	165,218.63	253,079.63
4/01/2021	-	-	162,670.66	162,670.66
10/01/2021	92,497.00	5.800%	162,670.66	255,167.66
4/01/2022	-	-	159,988.24	159,988.24

Series A: \$6,440,000

South Putnam Public Service District, West Virginia
WDA Loan (Loan Program II, 1999 Series A) of \$6,440,000
Series A

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/2022	97,837.00	5.800%	159,988.24	257,825.24
4/01/2023	-	-	157,150.97	157,150.97
10/01/2023	104,012.00	5.800%	157,150.97	261,162.97
4/01/2024	-	-	154,134.62	154,134.62
10/01/2024	111,069.00	5.800%	154,134.62	265,203.62
4/01/2025	-	-	150,913.62	150,913.62
10/01/2025	123,786.00	5.800%	150,913.62	274,699.62
4/01/2026	-	-	147,323.83	147,323.83
10/01/2026	127,497.00	5.800%	147,323.83	274,820.83
4/01/2027	-	-	143,626.42	143,626.42
10/01/2027	137,192.00	5.800%	143,626.42	280,818.42
4/01/2028	-	-	139,647.85	139,647.85
10/01/2028	207,962.00	5.800%	139,647.85	347,609.85
4/01/2029	-	-	133,616.95	133,616.95
10/01/2029	220,274.00	5.800%	133,616.95	353,890.95
4/01/2030	-	-	127,229.00	127,229.00
10/01/2030	343,812.00	5.800%	127,229.00	471,041.00
4/01/2031	-	-	117,258.46	117,258.46
10/01/2031	404,391.00	5.800%	117,258.46	521,649.46
4/01/2032	-	-	105,531.12	105,531.12
10/01/2032	426,689.00	5.800%	105,531.12	532,220.12
4/01/2033	-	-	93,157.14	93,157.14
10/01/2033	455,537.00	5.800%	93,157.14	548,694.14
4/01/2034	-	-	79,946.56	79,946.56
10/01/2034	481,058.00	5.800%	79,946.56	561,004.56
4/01/2035	-	-	65,995.88	65,995.88
10/01/2035	508,316.00	5.800%	65,995.88	574,311.88
4/01/2036	-	-	51,254.72	51,254.72
10/01/2036	537,411.00	5.800%	51,254.72	588,665.72
4/01/2037	-	-	35,669.80	35,669.80
10/01/2037	568,449.00	5.800%	35,669.80	604,118.80
4/01/2038	-	-	19,184.78	19,184.78
10/01/2038	661,544.00	5.800%	19,184.78	680,728.78
Total	6,440,000.00	-	11,689,002.59	18,129,002.59

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = wdains99.sf-Series A-\$6,440,000

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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, beginning thirteen (13) months prior to the first date of payment of principal of the Local Bonds, 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 ten (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. "Local Statute" means Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended.

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

Additional Conditions and Covenants

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

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

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

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

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

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

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

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").

SOUTH PUTNAM PUBLIC SERVICE DISTRICT (1999B)
(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 professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto.

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 "Origination Fee" means the fee paid by a Governmental Agency with respect to its participation in the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987, to provide funds for the acquisition and construction of wastewater Projects.

1.8 "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.

1.9 "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.

1.10 "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.

1.11 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 Division of Natural Resources* (or in the process of preparation by such

* Now administered by the West Virginia Division of Environmental Protection.

Director), has been approved by the West Virginia Bureau of Public 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 unless a sale or transfer of all or a portion of said property is approved by the Authority.

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

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

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation

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

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

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

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the 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.

2.12 The Governmental Agency, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority.

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 delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

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

Engineers to such effect the form of which certificate is attached hereto as Exhibit A;

(d) No Loan shall be made for the purpose of refinancing any outstanding long-term indebtedness of a Governmental Agency unless an opinion of counsel is received by the Authority to the effect that such refinancing is permitted by the Act and the Resolution, and that such refinancing will not cause a violation of any covenant, representation or agreement of the Authority contained in the Resolution or Tax Regulatory Agreement with respect to the exclusion of the interest on the Bonds from gross income of the holder thereof for federal income tax purposes;

(e) 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;

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

(g) 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;

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

(i) 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

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

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

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied

to the 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 purchase the Local Bonds 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 or with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the 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 or independent public accountant and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Governmental Agency's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

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

(xiii) That, 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;

(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;

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

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

(xx) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that

term is defined in the Code) from time to time as the Authority may request.

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

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

4.3 An Origination Fee Account shall be established with the Trustee to hold the portion of the proceeds of any Loan established to fund an Origination Fee. Amounts on deposit in an Origination Fee Account shall belong to the Governmental Agency receiving the related Loan, but such amounts may only be disbursed from the Account to pay the Origination Fee as and when required to satisfy the requirements of the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987 or for such other purposes as the Authority may approve in writing.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

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

4.9 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.

South Putnam Public Service District
[Proper Name of Governmental Agency]

(SEAL)

By: Carl S. Coffey, Jr.

Its: Chairman

Attest:

Date: June 16, 1999

Paul D. Stottley

Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: Daniel B. Lamberson
Director

Attest:

Date: June 16, 1999

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

1. The Bonds are being issued for the purpose of _____

(the "Project").

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

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

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia 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:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
-------------	--------------------	----------------------

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,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - _____

Report Month: _____

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

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

[Name of Governmental Agency]

By: _____
Authorized Officer

ABB0017F

WDA-5X
(May 1993)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ 5,425,000

Purchase Price of Local Bonds \$ 5,425,000

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

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

As of the date of the Loan Agreement, the Local Bonds are subordinate as to source of and security for payment to the following obligations: Water System Note, Series 1997, dated October 30, 1997, issued in the original principal amount of not to exceed \$250,000.

*As set forth in Exhibit 1 attached.

Exhibit 1

Series B: \$5,425,000

South Putnam Public Service District, WV
WDA Loan (Loan Program II, 1999 Series A) of \$5,425,000
Series B

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/1999	-	-	102,129.86	102,129.86
4/01/2000	-	-	135,171.86	135,171.86
10/01/2000	80,000.00	3.400%	135,171.88	215,171.88
4/01/2001	-	-	133,811.88	133,811.88
10/01/2001	90,000.00	3.750%	133,811.88	223,811.88
4/01/2002	-	-	132,124.38	132,124.38
10/01/2002	90,000.00	3.900%	132,124.38	222,124.38
4/01/2003	-	-	130,369.38	130,369.38
10/01/2003	95,000.00	4.000%	130,369.38	225,369.38
4/01/2004	-	-	128,469.38	128,469.38
10/01/2004	100,000.00	4.100%	128,469.38	228,469.38
4/01/2005	-	-	126,419.38	126,419.38
10/01/2005	100,000.00	4.200%	126,419.38	226,419.38
4/01/2006	-	-	124,319.38	124,319.38
10/01/2006	105,000.00	4.300%	124,319.38	229,319.38
4/01/2007	-	-	122,061.88	122,061.88
10/01/2007	110,000.00	4.375%	122,061.88	232,061.88
4/01/2008	-	-	119,655.63	119,655.63
10/01/2008	115,000.00	4.500%	119,655.63	234,655.63
4/01/2009	-	-	117,068.13	117,068.13
10/01/2009	120,000.00	4.500%	117,068.13	237,068.13
4/01/2010	-	-	114,368.13	114,368.13
10/01/2010	125,000.00	4.700%	114,368.13	239,368.13
4/01/2011	-	-	111,430.63	111,430.63
10/01/2011	130,000.00	4.800%	111,430.63	241,430.63
4/01/2012	-	-	108,310.63	108,310.63
10/01/2012	140,000.00	5.000%	108,310.63	248,310.63
4/01/2013	-	-	104,810.63	104,810.63
10/01/2013	145,000.00	5.000%	104,810.63	249,810.63
4/01/2014	-	-	101,185.63	101,185.63
10/01/2014	155,000.00	5.000%	101,185.63	256,185.63
4/01/2015	-	-	97,310.63	97,310.63
10/01/2015	160,000.00	5.500%	97,310.63	257,310.63
4/01/2016	-	-	92,910.63	92,910.63
10/01/2016	170,000.00	5.500%	92,910.63	262,910.63
4/01/2017	-	-	88,235.63	88,235.63
10/01/2017	180,000.00	5.500%	88,235.63	268,235.63
4/01/2018	-	-	83,285.63	83,285.63
10/01/2018	160,000.00	5.400%	83,285.63	243,285.63
4/01/2019	-	-	78,965.63	78,965.63
10/01/2019	170,000.00	5.300%	78,965.63	248,965.63
4/01/2020	-	-	74,460.63	74,460.63
10/01/2020	180,000.00	5.300%	74,460.63	254,460.63
4/01/2021	-	-	69,690.63	69,690.63
10/01/2021	190,000.00	5.250%	69,690.63	259,690.63
4/01/2022	-	-	64,703.13	64,703.13

Series B: \$5,425,000

South Putnam Public Service District, WV
WDA Loan (Loan Program II, 1999 Series A) of \$5,425,000
Series B

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/2022	200,000.00	5.250%	64,703.13	264,703.13
4/01/2023	-	-	59,453.13	59,453.13
10/01/2023	210,000.00	5.250%	59,453.13	269,453.13
4/01/2024	-	-	53,940.63	53,940.63
10/01/2024	220,000.00	5.125%	53,940.63	273,940.63
4/01/2025	-	-	48,303.13	48,303.13
10/01/2025	225,000.00	5.125%	48,303.13	273,303.13
4/01/2026	-	-	42,537.50	42,537.50
10/01/2026	240,000.00	5.125%	42,537.50	282,537.50
4/01/2027	-	-	36,387.50	36,387.50
10/01/2027	250,000.00	5.125%	36,387.50	286,387.50
4/01/2028	-	-	29,981.25	29,981.25
10/01/2028	200,000.00	5.125%	29,981.25	229,981.25
4/01/2029	-	-	24,856.25	24,856.25
10/01/2029	210,000.00	5.125%	24,856.25	234,856.25
4/01/2030	-	-	19,475.00	19,475.00
10/01/2030	110,000.00	5.125%	19,475.00	129,475.00
4/01/2031	-	-	16,656.25	16,656.25
10/01/2031	75,000.00	5.125%	16,656.25	91,656.25
4/01/2032	-	-	14,734.38	14,734.38
10/01/2032	80,000.00	5.125%	14,734.38	94,734.38
4/01/2033	-	-	12,684.38	12,684.38
10/01/2033	80,000.00	5.125%	12,684.38	92,684.38
4/01/2034	-	-	10,634.38	10,634.38
10/01/2034	85,000.00	5.125%	10,634.38	95,634.38
4/01/2035	-	-	8,456.25	8,456.25
10/01/2035	90,000.00	5.125%	8,456.25	98,456.25
4/01/2036	-	-	6,150.00	6,150.00
10/01/2036	95,000.00	5.125%	6,150.00	101,150.00
4/01/2037	-	-	3,715.63	3,715.63
10/01/2037	100,000.00	5.125%	3,715.63	103,715.63
4/01/2038	-	-	1,153.13	1,153.13
10/01/2038	45,000.00	5.125%	1,153.13	46,153.13
Total	5,425,000.00	-	6,798,646.42	11,223,646.42

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = wdains99.sj-Series B-\$5,425,000

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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, beginning thirteen (13) months prior to the first date of payment of principal of the Local Bonds, 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 ten (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. "Local Statute" means Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended.

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

Additional Conditions and Covenants

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

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

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

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

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

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

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

SPECIMEN

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

No. AR-1

\$6,440,000

KNOW ALL MEN BY THESE PRESENTS: That SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Putnam 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 SIX MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS (\$6,440,000), in installments on October 1 of each year, beginning October 1, 2000, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1999. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreements between the Issuer and the Authority, dated June 16, 1999.

This Bond is issued to provide funds, along with other available monies of the Issuer (i) to pay of the costs of acquisition and construction of certain improvements and

extensions to the existing public waterworks system of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on June 15, 1999, and a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1999 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$5,425,000 (THE "SERIES 1999 B BONDS"), AND SENIOR AND PRIOR TO THE ISSUER'S WATER SYSTEM NOTE, SERIES 1997, DATED OCTOBER 30, 1997, ISSUED IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$250,000 (THE "SERIES 1997 NOTE").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1999 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1999 A Bonds Reserve Account") and unexpended proceeds of the Bonds, and senior and prior to the lien on Surplus Revenues in favor of the Holder of the Series 1997 Note. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other

obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1999 B Bonds; provided however, that so long as there exists in the Series 1999 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, including the Series 1999 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated June 16, 1999.

[SEAL]

Carl S. [Signature]
Chairman

ATTEST:

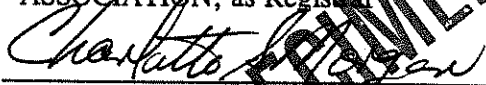
[Signature]
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 16, 1999.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar


Authorized Officer

SPECIMEN

Series A: \$6,440,000

South Putnam Public Service District, West Virginia
WDA Loan (Loan Program II, 1999 Series A) of \$6,440,000
 Series A

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/1999	-	-	108,943.33	108,943.33
4/01/2000	-	-	186,760.00	186,760.00
10/01/2000	23,356.00	5.800%	186,760.00	210,116.00
4/01/2001	-	-	186,082.68	186,082.68
10/01/2001	17,431.00	5.800%	186,082.68	203,513.68
4/01/2002	-	-	185,577.18	185,577.18
10/01/2002	21,817.00	5.800%	185,577.18	207,394.18
4/01/2003	-	-	184,944.48	184,944.48
10/01/2003	21,592.00	5.800%	184,944.48	206,536.48
4/01/2004	-	-	184,318.32	184,318.32
10/01/2004	21,645.00	5.800%	184,318.32	205,963.32
4/01/2005	-	-	183,690.61	183,690.61
10/01/2005	27,000.00	5.800%	183,690.61	210,690.61
4/01/2006	-	-	182,907.61	182,907.61
10/01/2006	27,766.00	5.800%	182,907.61	210,673.61
4/01/2007	-	-	182,102.40	182,102.40
10/01/2007	28,891.00	5.800%	182,102.40	210,993.40
4/01/2008	-	-	181,264.56	181,264.56
10/01/2008	30,379.00	5.800%	181,264.56	211,643.56
4/01/2009	-	-	180,383.57	180,383.57
10/01/2009	32,316.00	5.800%	180,383.57	212,699.57
4/01/2010	-	-	179,446.40	179,446.40
10/01/2010	34,591.00	5.800%	179,446.40	214,037.40
4/01/2011	-	-	178,443.26	178,443.26
10/01/2011	37,472.00	5.800%	178,443.26	215,915.26
4/01/2012	-	-	177,356.58	177,356.58
10/01/2012	35,885.00	5.800%	177,356.58	213,241.58
4/01/2013	-	-	176,315.91	176,315.91
10/01/2013	39,967.00	5.800%	176,315.91	216,282.91
4/01/2014	-	-	175,156.87	175,156.87
10/01/2014	39,535.00	5.800%	175,156.87	214,691.87
4/01/2015	-	-	174,010.35	174,010.35
10/01/2015	44,578.00	5.800%	174,010.35	218,588.35
4/01/2016	-	-	172,717.59	172,717.59
10/01/2016	45,963.00	5.800%	172,717.59	218,680.59
4/01/2017	-	-	171,384.66	171,384.66
10/01/2017	47,979.00	5.800%	171,384.66	219,363.66
4/01/2018	-	-	169,993.27	169,993.27
10/01/2018	80,662.00	5.800%	169,993.27	250,655.27
4/01/2019	-	-	167,654.08	167,654.08
10/01/2019	83,981.00	5.800%	167,654.08	251,635.08
4/01/2020	-	-	165,218.63	165,218.63
10/01/2020	87,861.00	5.800%	165,218.63	253,079.63
4/01/2021	-	-	162,670.66	162,670.66
10/01/2021	92,497.00	5.800%	162,670.66	255,167.66
4/01/2022	-	-	159,988.24	159,988.24

Series A: \$6,440,000

South Putnam Public Service District, West Virginia
WDA Loan (Loan Program II, 1999 Series A) of \$6,440,000
Series A

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/2022	97,837.00	5.800%	159,988.24	257,825.24
4/01/2023	-	-	157,150.97	157,150.97
10/01/2023	104,012.00	5.800%	157,150.97	261,162.97
4/01/2024	-	-	154,134.62	154,134.62
10/01/2024	111,069.00	5.800%	154,134.62	265,203.62
4/01/2025	-	-	150,913.62	150,913.62
10/01/2025	123,786.00	5.800%	150,913.62	274,699.62
4/01/2026	-	-	147,323.83	147,323.83
10/01/2026	127,497.00	5.800%	147,323.83	274,820.83
4/01/2027	-	-	143,626.42	143,626.42
10/01/2027	137,192.00	5.800%	143,626.42	280,818.42
4/01/2028	-	-	139,647.85	139,647.85
10/01/2028	207,962.00	5.800%	139,647.85	347,609.85
4/01/2029	-	-	133,616.95	133,616.95
10/01/2029	220,274.00	5.800%	133,616.95	353,890.95
4/01/2030	-	-	127,229.00	127,229.00
10/01/2030	343,812.00	5.800%	127,229.00	471,041.00
4/01/2031	-	-	117,258.46	117,258.46
10/01/2031	404,391.00	5.800%	117,258.46	521,649.46
4/01/2032	-	-	105,531.12	105,531.12
10/01/2032	426,689.00	5.800%	105,531.12	532,220.12
4/01/2033	-	-	93,157.14	93,157.14
10/01/2033	455,537.00	5.800%	93,157.14	548,694.14
4/01/2034	-	-	79,946.56	79,946.56
10/01/2034	481,058.00	5.800%	79,946.56	561,004.56
4/01/2035	-	-	65,995.88	65,995.88
10/01/2035	508,316.00	5.800%	65,995.88	574,311.88
4/01/2036	-	-	51,254.72	51,254.72
10/01/2036	537,411.00	5.800%	51,254.72	588,665.72
4/01/2037	-	-	35,669.80	35,669.80
10/01/2037	568,449.00	5.800%	35,669.80	604,118.80
4/01/2038	-	-	19,184.78	19,184.78
10/01/2038	661,544.00	5.800%	19,184.78	680,728.78
Total	6,440,000.00	-	11,689,002.59	18,129,002.59

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = wdains99.sf-Series A-\$6,440,000

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

Dated: _____, _____.

In the presence of:

06/15/99
847280/98003

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SEVENTH FLOOR

P. O. BOX 1588

CHARLESTON, W. VA. 25326-1588

(304) 353-8000

FACSIMILE (304) 353-8180

BANK ONE CENTER, SIXTH FLOOR
P. O. BOX 2190
CLARKSBURG, W. VA. 26302-2190
(304) 624-8000
FACSIMILE (304) 624-8183

1000 HAMPTON CENTER
P. O. BOX 1818
MORGANTOWN, W. VA. 26507-1818
(304) 598-8000
FACSIMILE (304) 598-8118

128 EAST BURKE STREET
P. O. BOX 2829
MARTINSBURG, W. VA. 25402-2829
(304) 263-6991
FACSIMILE (304) 262-3541

RILEY BUILDING, FOURTH FLOOR
14TH AND CHAPLINE STREETS
P. O. BOX 180
WHEELING, W. VA. 26003-0080
(304) 233-0000
FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 828
PARKERSBURG, W. VA. 26102-0828
(304) 422-6463
FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER
1000 TECHNOLOGY DRIVE
P. O. BOX 2210
FAIRMONT, W. VA. 26554-8824
(304) 368-8000
FACSIMILE (304) 368-8413

WRITER'S DIRECT DIAL NUMBER

June 16, 1999

South Putnam Public Service District
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

South Putnam Public Service District
Scott Depot, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by South Putnam Public Service District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$6,440,000 Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority) and its \$5,425,000 Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), all dated the date hereof (collectively, the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement for the Series 1999 A Bonds, dated June 16, 1999, including all schedules and exhibits attached thereto, and the authorization of a loan agreement for the Series 1999 B Bonds, dated June 16, 1999, including all schedules and exhibits attached thereto (collectively, the "Loan Agreements"), each between the Issuer and the West Virginia Water Development Authority (the "Authority"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreements. The Series 1999 A Bonds are originally 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, commencing October 1, 1999, at the rate of 5.8% per annum, and with principal installments payable on October 1 of each year, commencing October 1, 2000, and ending October 1, 2038, all as set forth in "Schedule X," attached to the Loan Agreement for the Series 1999 A Bonds and incorporated in and made

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a part of the Series 1999 A Bonds. The Series 1999 B Bonds are originally 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, commencing October 1, 1999, at the rates per annum reflected on the Schedule A attached to the Bonds, and with principal installments payable on October 1 of each year, commencing October 1, 1999, and ending October 1, 2038, all as set forth in "Schedule X," attached to the Loan Agreement for the Series 1999 B Bonds and incorporated in and made a part of the Series 1999 B Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), for the purposes of paying, in conjunction with other available funds of the Issuer, (i) the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); (ii) currently refunding the Issuer's Prior Bonds; (iii) funding reserve accounts for the Bonds; (iv) capitalizing interest on the Series 1999 A Bonds; and (v) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on June 15, 1999, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreements have been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreements.

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

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

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

2. The Loan Agreements have been duly authorized by and executed on behalf of the Issuer, are valid and binding special obligations of the Issuer enforceable in accordance with the terms thereof, and inure to the benefit of the Authority and cannot be amended by the Issuer so as to affect adversely the rights of the Authority or diminish the obligations of the Issuer without the written consent of the Authority.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreements.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and pledge of the Net Revenues of the System, senior and prior with respect to liens, pledge and source of and security for payment to the Issuer's Water System Note, Series 1997, dated October 30, 1997, all in accordance with the terms of the Bonds and the Bond Legislation.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

7. Contemporaneous with the issuance of the Series 1999 Bonds, the Issuer's Prior Bonds have been defeased and paid in full.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreements, the Bond Legislation and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

South Putnam Public Service District, et al.

Page 4

We have examined the executed and authenticated Bonds numbered AR-1 and BR-1, respectively, and in our opinion the form of said Bonds and their execution and authentication are regular and proper.

Very truly yours,

A handwritten signature in black ink, appearing to read "Steptoe & Johnson", with a long horizontal flourish extending to the right.

STEPTOE & JOHNSON

06/15/99
847280/98003

CH323923.2

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto the Bank of New York, New York, New York, the Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), of South Putnam Public Service District, in the principal amount of \$6,440,000, numbered AR-1, dated June 16, 1999, standing in the name of the West Virginia Water Development Authority on the books of said Issuer.

WITNESS my signature on this 16th day of June, 1999.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Barbara B Meadows
Authorized Representative

06/15/99
847280/98003

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1999 B
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. BR-1

\$5,425,000

KNOW ALL MEN BY THESE PRESENTS: That SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Putnam 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 FIVE MILLION FOUR HUNDRED TWENTY - FIVE THOUSAND DOLLARS (\$5,425,000), in installments on October 1 of each year, beginning October 1, 2000, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1999. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreements between the Issuer and the Authority, dated June 16, 1999.

This Bond is issued (i) to pay the costs of refunding the Prior Bonds of the Issuer; (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project constructed with the proceeds of the Series 1999 A Bonds (hereinafter defined) and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on June 15, 1999, and a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$6,440,000 (THE "SERIES 1999 A BONDS"), AND SENIOR AND PRIOR TO THE ISSUER'S WATER SYSTEM NOTE, SERIES 1997, DATED OCTOBER 30, 1997, ISSUED IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$250,000 (THE "SERIES 1997 NOTE").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1999 A Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1999 B Bonds Reserve Account") and unexpended proceeds of the Bonds, and senior and prior to the lien on Surplus Revenues in favor of the holder of the Series 1997 Note. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior

to or on a parity with the Bonds, including the Series 1999 A Bonds; provided however, that so long as there exists in the Series 1999 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, including the Series 1999 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

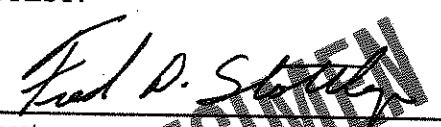
All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated June 16, 1999.

[SEAL]


Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 16, 1999.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar


Authorized Officer

Series B: \$5,425,000

South Putnam Public Service District, WV
WDA Loan (Loan Program II, 1999 Series A) of \$5,425,000
Series B

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/1999	-	-	102,129.86	102,129.86
4/01/2000	-	-	135,171.88	135,171.88
10/01/2000	80,000.00	3.400%	135,171.88	215,171.88
4/01/2001	-	-	133,811.88	133,811.88
10/01/2001	90,000.00	3.750%	133,811.88	223,811.88
4/01/2002	-	-	132,124.38	132,124.38
10/01/2002	90,000.00	3.900%	132,124.38	222,124.38
4/01/2003	-	-	130,369.38	130,369.38
10/01/2003	95,000.00	4.000%	130,369.38	225,369.38
4/01/2004	-	-	128,469.38	128,469.38
10/01/2004	100,000.00	4.100%	128,469.38	228,469.38
4/01/2005	-	-	126,419.38	126,419.38
10/01/2005	100,000.00	4.200%	126,419.38	226,419.38
4/01/2006	-	-	124,319.38	124,319.38
10/01/2006	105,000.00	4.300%	124,319.38	229,319.38
4/01/2007	-	-	122,061.88	122,061.88
10/01/2007	110,000.00	4.375%	122,061.88	232,061.88
4/01/2008	-	-	119,655.63	119,655.63
10/01/2008	115,000.00	4.500%	119,655.63	234,655.63
4/01/2009	-	-	117,068.13	117,068.13
10/01/2009	120,000.00	4.500%	117,068.13	237,068.13
4/01/2010	-	-	114,368.13	114,368.13
10/01/2010	125,000.00	4.700%	114,368.13	239,368.13
4/01/2011	-	-	111,430.63	111,430.63
10/01/2011	130,000.00	4.800%	111,430.63	241,430.63
4/01/2012	-	-	108,310.63	108,310.63
10/01/2012	140,000.00	5.000%	108,310.63	248,310.63
4/01/2013	-	-	104,810.63	104,810.63
10/01/2013	145,000.00	5.000%	104,810.63	249,810.63
4/01/2014	-	-	101,185.63	101,185.63
10/01/2014	155,000.00	5.000%	101,185.63	256,185.63
4/01/2015	-	-	97,310.63	97,310.63
10/01/2015	160,000.00	5.500%	97,310.63	257,310.63
4/01/2016	-	-	92,910.63	92,910.63
10/01/2016	170,000.00	5.500%	92,910.63	262,910.63
4/01/2017	-	-	88,235.63	88,235.63
10/01/2017	180,000.00	5.500%	88,235.63	268,235.63
4/01/2018	-	-	83,285.63	83,285.63
10/01/2018	160,000.00	5.400%	83,285.63	243,285.63
4/01/2019	-	-	78,965.63	78,965.63
10/01/2019	170,000.00	5.300%	78,965.63	248,965.63
4/01/2020	-	-	74,460.63	74,460.63
10/01/2020	180,000.00	5.300%	74,460.63	254,460.63
4/01/2021	-	-	69,690.63	69,690.63
10/01/2021	190,000.00	5.250%	69,690.63	259,690.63
4/01/2022	-	-	64,703.13	64,703.13

Series B: \$5,425,000

South Putnam Public Service District, WV
WDA Loan (Loan Program II, 1999 Series A) of \$5,425,000
Series B

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
10/01/2022	200,000.00	5.250%	64,703.13	264,703.13
4/01/2023	-	-	59,453.13	59,453.13
10/01/2023	210,000.00	5.250%	59,453.13	269,453.13
4/01/2024	-	-	53,940.63	53,940.63
10/01/2024	220,000.00	5.125%	53,940.63	273,940.63
4/01/2025	-	-	48,303.13	48,303.13
10/01/2025	225,000.00	5.125%	48,303.13	273,303.13
4/01/2026	-	-	42,537.50	42,537.50
10/01/2026	240,000.00	5.125%	42,537.50	282,537.50
4/01/2027	-	-	36,387.50	36,387.50
10/01/2027	250,000.00	5.125%	36,387.50	286,387.50
4/01/2028	-	-	29,981.25	29,981.25
10/01/2028	200,000.00	5.125%	29,981.25	229,981.25
4/01/2029	-	-	24,856.25	24,856.25
10/01/2029	210,000.00	5.125%	24,856.25	234,856.25
4/01/2030	-	-	19,475.00	19,475.00
10/01/2030	110,000.00	5.125%	19,475.00	129,475.00
4/01/2031	-	-	16,656.25	16,656.25
10/01/2031	75,000.00	5.125%	16,656.25	91,656.25
4/01/2032	-	-	14,734.38	14,734.38
10/01/2032	80,000.00	5.125%	14,734.38	94,734.38
4/01/2033	-	-	12,684.38	12,684.38
10/01/2033	80,000.00	5.125%	12,684.38	92,684.38
4/01/2034	-	-	10,634.38	10,634.38
10/01/2034	85,000.00	5.125%	10,634.38	95,634.38
4/01/2035	-	-	8,456.25	8,456.25
10/01/2035	90,000.00	5.125%	8,456.25	98,456.25
4/01/2036	-	-	6,150.00	6,150.00
10/01/2036	95,000.00	5.125%	6,150.00	101,150.00
4/01/2037	-	-	3,715.63	3,715.63
10/01/2037	100,000.00	5.125%	3,715.63	103,715.63
4/01/2038	-	-	1,153.13	1,153.13
10/01/2038	45,000.00	5.125%	1,153.13	46,153.13
Total	5,425,000.00	-	5,798,646.42	11,223,646.42

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = wdains99.sf-Series B-\$5,425,000

6/14/1999 4:29 PM

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

In the presence of:

06/15/99
847280/98003

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SEVENTH FLOOR

P. O. BOX 1588

CHARLESTON, W. VA. 25326-1588

(304) 353-8000

FACSIMILE (304) 353-8180

June 16, 1999

RILEY BUILDING, FOURTH FLOOR

14TH AND CHAPLINE STREETS

P. O. BOX 180

WHEELING, W. VA. 26003-0020

(304) 233-0000

FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK

200 STAR AVENUE, SUITE 220

P. O. BOX 628

PARKERSBURG, W. VA. 26102-0628

(304) 422-6463

FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER

1000 TECHNOLOGY DRIVE

P. O. BOX 2210

FAIRMONT, W. VA. 26554-8824

(304) 388-8000

FACSIMILE (304) 388-8413

WRITER'S DIRECT DIAL NUMBER

South Putnam Public Service District
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

South Putnam Public Service District
Scott Depot, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by South Putnam Public Service District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$6,440,000 Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority) and its \$5,425,000 Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), all dated the date hereof (collectively, the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement for the Series 1999 A Bonds, dated June 16, 1999, including all schedules and exhibits attached thereto, and the authorization of a loan agreement for the Series 1999 B Bonds, dated June 16, 1999, including all schedules and exhibits attached thereto (collectively, the "Loan Agreements"), each between the Issuer and the West Virginia Water Development Authority (the "Authority"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreements. The Series 1999 A Bonds are originally 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, commencing October 1, 1999, at the rate of 5.8% per annum, and with principal installments payable on October 1 of each year, commencing October 1, 2000, and ending October 1, 2038, all as set forth in "Schedule X," attached to the Loan Agreement for the Series 1999 A Bonds and incorporated in and made

a part of the Series 1999 A Bonds. The Series 1999 B Bonds are originally 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, commencing October 1, 1999, at the rates per annum reflected on the Schedule A attached to the Bonds, and with principal installments payable on October 1 of each year, commencing October 1, 1999, and ending October 1, 2038, all as set forth in "Schedule X," attached to the Loan Agreement for the Series 1999 B Bonds and incorporated in and made a part of the Series 1999 B Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), for the purposes of paying, in conjunction with other available funds of the Issuer, (i) the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); (ii) currently refunding the Issuer's Prior Bonds; (iii) funding reserve accounts for the Bonds; (iv) capitalizing interest on the Series 1999 A Bonds; and (v) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on June 15, 1999, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreements have been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreements.

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

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

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

2. The Loan Agreements have been duly authorized by and executed on behalf of the Issuer, are valid and binding special obligations of the Issuer enforceable in accordance with the terms thereof, and inure to the benefit of the Authority and cannot be amended by the Issuer so as to affect adversely the rights of the Authority or diminish the obligations of the Issuer without the written consent of the Authority.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreements.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and pledge of the Net Revenues of the System, senior and prior with respect to liens, pledge and source of and security for payment to the Issuer's Water System Note, Series 1997, dated October 30, 1997, all in accordance with the terms of the Bonds and the Bond Legislation.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

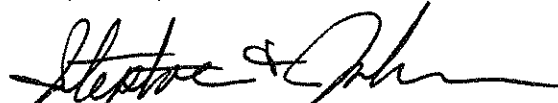
7. Contemporaneous with the issuance of the Series 1999 Bonds, the Issuer's Prior Bonds have been defeased and paid in full.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreements, the Bond Legislation and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

South Putnam Public Service District, et al.
Page 4

We have examined the executed and authenticated Bonds numbered AR-1 and BR-1, respectively, and in our opinion the form of said Bonds and their execution and authentication are regular and proper.

Very truly yours,



STEPTOE & JOHNSON

06/15/99
847280/98003

CH323923.2

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto the Bank of New York, New York, New York, the Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), of South Putnam Public Service District, in the principal amount of \$5,425,000, numbered BR-1, dated June 16, 1999, standing in the name of the West Virginia Water Development Authority on the books of said Issuer.

WITNESS my signature on this 16th day of June, 1999.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Barbara B Meadows
Authorized Representative

06/15/99
847280/98003

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER, SIXTH FLOOR
P. O. BOX 2180
CLARKSBURG, W. VA. 26302-2180
(304) 624-8000
FACSIMILE (304) 624-8183

1000 HAMPTON CENTER
P. O. BOX 1618
MORGANTOWN, W. VA. 26507-1618
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25402-2629
(304) 263-6991
FACSIMILE (304) 262-3541

BANK ONE CENTER

SEVENTH FLOOR

P. O. BOX 1588

CHARLESTON, W. VA. 25326-1588

(304) 353-8000

FACSIMILE (304) 353-8180

RILEY BUILDING, FOURTH FLOOR
14TH AND CHAPLINE STREETS
P. O. BOX 150
WHEELING, W. VA. 26003-0020
(304) 233-0000
FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 628
PARKERSBURG, W. VA. 26102-0628
(304) 422-6463
FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER
1000 TECHNOLOGY DRIVE
P. O. BOX 2210
FAIRMONT, W. VA. 26554-8824
(304) 368-8000
FACSIMILE (304) 368-8413

WRITER'S DIRECT DIAL NUMBER

June 16, 1999

South Putnam Public Service District
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

South Putnam Public Service District
Scott Depot, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by South Putnam Public Service District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$6,440,000 Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority) and its \$5,425,000 Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), all dated the date hereof (collectively, the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement for the Series 1999 A Bonds, dated June 16, 1999, including all schedules and exhibits attached thereto, and the authorization of a loan agreement for the Series 1999 B Bonds, dated June 16, 1999, including all schedules and exhibits attached thereto (collectively, the "Loan Agreements"), each between the Issuer and the West Virginia Water Development Authority (the "Authority"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreements. The Series 1999 A Bonds are originally 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, commencing October 1, 1999, at the rate of 5.8% per annum, and with principal installments payable on October 1 of each year, commencing October 1, 2000, and ending October 1, 2038, all as set forth in "Schedule X," attached to the Loan Agreement for the Series 1999 A Bonds and incorporated in and made

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a part of the Series 1999 A Bonds. The Series 1999 B Bonds are originally 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, commencing October 1, 1999, at the rates per annum reflected on the Schedule A attached to the Bonds, and with principal installments payable on October 1 of each year, commencing October 1, 1999, and ending October 1, 2038, all as set forth in "Schedule X," attached to the Loan Agreement for the Series 1999 B Bonds and incorporated in and made a part of the Series 1999 B Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), for the purposes of paying, in conjunction with other available funds of the Issuer, (i) the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); (ii) currently refunding the Issuer's Prior Bonds; (iii) funding reserve accounts for the Bonds; (iv) capitalizing interest on the Series 1999 A Bonds; and (v) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on June 15, 1999, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreements have been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreements.

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

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

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

2. The Loan Agreements have been duly authorized by and executed on behalf of the Issuer, are valid and binding special obligations of the Issuer enforceable in accordance with the terms thereof, and inure to the benefit of the Authority and cannot be amended by the Issuer so as to affect adversely the rights of the Authority or diminish the obligations of the Issuer without the written consent of the Authority.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreements.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and pledge of the Net Revenues of the System, senior and prior with respect to liens, pledge and source of and security for payment to the Issuer's Water System Note, Series 1997, dated October 30, 1997, all in accordance with the terms of the Bonds and the Bond Legislation.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

7. Contemporaneous with the issuance of the Series 1999 Bonds, the Issuer's Prior Bonds have been defeased and paid in full.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreements, the Bond Legislation and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

South Putnam Public Service District, et al.
Page 4

We have examined the executed and authenticated Bonds numbered AR-1 and BR-1, respectively, and in our opinion the form of said Bonds and their execution and authentication are regular and proper.

Very truly yours,



STEPTOE & JOHNSON

06/15/99
847280/98003

CH323923.2

RALPH W. BASSETT, JR.

ATTORNEY AT LAW

1156 SOUTH MAIN STREET
MILTON, WV 25541
TELEPHONE (304) 743-5573
FAX (304) 743-1150

June 16, 1999

South Putnam Public Service District
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

South Putnam Public Service District
Scott Depot, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Steptoe & Johnson
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to South Putnam Public Service District, a public service district in Putnam County, West Virginia (the "Issuer"). As such Counsel, I have examined a copy of the approving opinion of Steptoe & Johnson, as bond counsel, two loan agreements, each dated June 16, 1999, including all schedules and exhibits attached thereto, by and between the West Virginia Water Development Authority (the "Authority") and the Issuer (the "Loan Agreements"), the Bond Resolution duly adopted by the Issuer on June 16, 1999, as supplemented by the Supplemental Resolution duly adopted by the Issuer on June 16, 1999 (collectively, the "Bond Legislation"), and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds") and orders of the County Commission of Putnam County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreements when used herein.

I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.

2. The Loan Agreements have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Authority, constitute valid and binding agreements of the Issuer enforceable in accordance with their terms.

3. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

4. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.

5. The execution and delivery of the Bonds and Loan Agreements and the consummation of the transactions contemplated by the Bonds, the Loan Agreements and the Bond Legislation, 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 Issuer, a breach of or default under any agreement, document, or instrument to which the Issuer is a party or to which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

6. In reliance upon the certificate of Howard K. Bell Consulting Engineers, Inc., of even date herewith, the Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, certificates and approvals from The County Commission of Putnam County and the West Virginia Infrastructure and Jobs Development Council. I express no opinion as to any permits, licenses, approvals, consents, exemptions, orders, certificates, or authorizations which the Issuer is required to obtain from the West Virginia Public Service Commission.

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 board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreements the Bonds or the bond Legislation, the acquisition and construction of the Project, the refunding of the Prior Bonds, the operation of the System or the validity of the bonds or the collection or pledge of the Net Revenues therefor.

8. Based upon my review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, I am of the opinion that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interests of the Issuer; (3) have been executed by duly authorized representatives of the proper parties;

South Putnam Public Service District, et al.
Page 3

(4) meet the requirements of the Act, Bond Legislation and the Loan Agreements; and
(5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provision thereof.

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

Sincerely yours,

A handwritten signature in black ink, reading "Ralph W. Bassett, Jr." with a stylized flourish at the end.

Ralph W. Bassett, Jr.

RWB:bkb

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LAW OFFICES
ROBERT R. RODECKER
1210 BANK ONE CENTER
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June 16, 1999

South Putnam Public Service District
Scott Depot, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Step toe & Johnson
Charleston, West Virginia

South Putnam Public Service District
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

Ladies and Gentlemen:

I am special counsel to South Putnam Public Service District, a public service district in Putnam County, West Virginia (the "Issuer"). As such counsel, I have represented the Issuer in all matters related to the Public Service Commission of West Virginia for the issuance of the above-referenced bonds, the refunding of the Issuer's Prior Bonds and the acquisition and construction of the Project. I have also represented the Issuer with respect to the acquisition of the assets of Kanawha Orchard Public Service District. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreements when used herein.

I am of the opinion that:

1. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations from the Public Service Commission of West Virginia necessary for the issuance of the Bonds, the refunding of the Issuer's Prior Bonds, the acquisition and construction of the Project, including the assets of Kanawha Orchard Public Service District, the operation of the

System and the implementation of rates and charges, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Final Order of the Public Service Commission of West Virginia entered May 28, 1999, in Case No. 98-0819-PWD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the refunding of the Prior Bonds and the Project. While the time to file an appeal of the decision has not expired, the only parties to the proceeding are the District and the Staff of the Commission. The District has informed me that it will not file an appeal and the Staff of the Commission lacks the authority to file such an appeal.

2. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

3. Contemporaneous with the issuance of the Bonds, the Issuer has acquired all assets, both real and personal, of Kanawha Orchard Public Service District, and all necessary deeds, bills of sale and assignments have been filed.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert R. Rodecker", written in a cursive style.

ROBERT R. RODECKER, ESQUIRE

RALPH W. BASSETT, JR.

ATTORNEY AT LAW

1156 SOUTH MAIN STREET
MILTON, WV 25541
TELEPHONE (304) 743-5573
FAX (304) 743-1150

June 15, 1999

**WATER PROJECT
WATER DEVELOPMENT AUTHORITY FINANCING**

Mr. Daniel B. Yonkosky, Director
Water Development Authority
180 Association Drive
Charleston, WV 25311-1571

Re: South Putnam Public Service District, 2000
Water System Upgrade Project

Dear Mr. Yonkosky:

This firm represents the South Putnam Public Service District with regard to a proposed project to construct the 2000 Water System Upgrade and its other related lines, facilities and equipment (the "Project"), and provides this final title opinion on behalf of the South Putnam Public Service District to satisfy the requirements of the Water Development Authority (the "Authority") with regard to the Authority's financing proposed for the Project. Please be advised of the following:

1. That I am of the opinion the South Putnam Public Service District is a duly created and existing public service district possessed with all the powers and authority granted to public service districts under the laws of the State of West Virginia and has the full power and authority to construct, operate and maintain the Project as approved by various State agencies.
2. That the South Putnam Public Service District has obtained approval for all necessary permits and approvals for the construction of the Project.
3. That I have investigated and ascertained the location of and am familiar with the legal description of the necessary sites, including easements and/or rights of way, required for the Project as set forth in the plans for the Project prepared by H. K. Bell Consulting Engineers, Inc., the consulting engineers for the Project.
4. That I have examined the records on file in the Office of the Clerk of the County Commission of Putnam County, West Virginia, the county in which the Project is located and, in my opinion, the South Putnam Public Service District has acquired or will acquire before construction commences, legal title or such other estate or interest

possession for the purpose of construction, operation and maintenance for the estimated life of the facilities to be constructed, except and subject to the following:

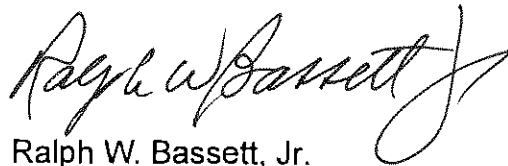
Crabtree, Bob	Map 193, Parcel 1
Stroud, Jack	Map 192, Parcel 1.6
Hindle, Steven	Map 192, Parcel 1.3

The following listed properties are being acquired by eminent domain and the necessary filings have been made (or will be made prior to closing) in the Office of the Clerk of the County Commission of Putnam County, West Virginia to permit the South Putnam Public Service District a right-of-entry for the purpose of construction, operation and maintenance of the subject facilities on the subject properties. The South Putnam Public Service District's title thereto is defeasible in the event the South Putnam Public Service District does not satisfy any resulting judgement and/or award in the proceeding for acquisition of said properties, and our certification is subject to the pending litigation:

A. Brenda and Elmer Humphreys, Tax Map and Parcel (192/13), CA 99-C-157.

5. That all deeds or other documents which have been acquired to date by the South Putnam Public Service District have been duly recorded in the aforesaid Clerk's Office in order to protect legal title to and interest of the South Putnam Public Service District.

Sincerely yours,



Ralph W. Bassett, Jr.

RWB:bkb

cc: Samme L. Gee, Esquire

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SOUTH PUTNAM PUBLIC SERVICE DISTRICT

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

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENTS
11. RATES
12. PUBLIC SERVICE COMMISSION ORDER
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING
16. PRIVATE USE OF FACILITIES
17. NO FEDERAL GUARANTY
18. IRS INFORMATION RETURN
19. SPECIMEN BONDS
20. CONFLICT OF INTEREST
21. GRANTS
22. YEAR 2000 COMPLIANCE

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of South Putnam Public Service District, in Putnam County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the Issuer, hereby certify in connection with the \$6,440,000 South Putnam Public Service District Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority) and the \$5,425,000 South Putnam Public Service District Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority) (collectively, the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning set forth in the Bond Resolution duly

adopted by the Issuer on June 15, 1999, and a Supplemental Resolution duly adopted by the Issuer on June 15, 1999 (collectively, the "Bond Legislation").

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the refunding of the Prior Bonds of the Issuer, the acquisition or construction of the Project, the operation of the System, the receipt of Grant proceeds, the receipt of the Net Revenues, or in any way contesting or affecting the validity of the Bonds or the Grants, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the refunding of the Prior Bonds of the Issuer, the acquisition and construction of the Project, the operation of the System, the receipt of Grant proceeds, if any, or the pledge or application of moneys and security or the collection of the Net Revenues or pledge thereof.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the refunding of the Prior Bonds of the Issuer, the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds, have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval and execution and delivery by the Issuer of the Loan Agreements, and the Issuer has met all conditions prescribed in the Loan Agreements entered into between the Issuer and the Authority.

There is an outstanding obligation of the Issuer which will rank junior and subordinate to the Bonds as to liens, pledge and source of and security for payment, being the Issuer's Water System Note, Series 1997, issued on October 30, 1997, in the principal amount of not to exceed \$250,000 (the "Series 1997 Note"). The Bonds are senior and prior to the lien on Surplus Revenues in favor of the Holder of the Series 1997 Note. The Issuer has obtained the consent of the Holder of the Series 1997 Note to the issuance of the Bonds senior and prior to the Series 1997 Note. Following the refunding of the Prior Bonds, and other than the Series 1997 Note, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with the covenants of the Series 1997 Note.

5. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended, altered, supplemented or changed in any way unless modification appears from later documents also listed below:

Bond Resolution

Supplemental Resolution

WDA Loan Agreements

Public Service Commission Order

Infrastructure and Jobs Development Council Approval

County Commission and Public Service Commission
Orders regarding Creation and Expansion of District

County Commission Orders Appointing Current
Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure of Public Service Board

Affidavit of Publication on Borrowing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and
Supplemental Resolution

Series 1997 Note Documents

Consent of Holder of Series 1997 Note

Asset Purchase Agreement with Kanawha Orchard Public Service
District

Evidence of Grant from the State of West Virginia

Evidence of Grant from The County Commission of
Putnam County

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "South Putnam Public Service District." The Issuer is a public service district and public corporation duly created by The County Commission of Putnam County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 3 duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Carl Coffman, II	August 21, 1995	August 31, 2001
Calvin Hatfield	August 20, 1997	August 31, 2003
Glen Yeager	July 15, 1993	August 31, 1999

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 1999 are as follows:

Chairman	-	Carl Coffman, II
Secretary	-	Fred D. Stottlemeyer
Treasurer	-	Calvin Hatfield

The duly appointed and acting counsel to the Issuer is Ralph W. Bassett, Milton, West Virginia. The duly appointed special counsel to the Issuer is Robert R. Rodecker, Charleston, West Virginia

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

8. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the

issuance of the Bonds, the refunding of the Prior Bonds, the acquisition, construction and financing of the Project and the operation of the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, without limitation, Chapter 6, Article 9A, of the Official West Virginia Code of 1931, as amended, and a quorum of duly appointed or elected, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. **CONTRACTORS' INSURANCE, ETC.:** All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. All insurance for the System required by the Bond Legislation and the Loan Agreements is in full force and effect.

10. **LOAN AGREEMENTS:** As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreements are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreements do 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; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreements 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 in the Loan Agreements not misleading; and (iv) the Issuer is in compliance with all covenants, terms and representations made in the Loan Agreements.

11. **RATES:** The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on May 28, 1999, in Case No. 98-0819-PWD-CN, approving the rates and charges for the services of the System. Counsel to the Issuer expresses no opinion as to this paragraph 11.

12. **PUBLIC SERVICE COMMISSION ORDER:** The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on May 28, 1999, in Case No. 98-0819-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the water rates for the System, the refunding of the Prior Bonds, and approving the financing for the Project. Counsel to the Issuer expresses no opinion as to this paragraph 12.

13. **SIGNATURES AND DELIVERY:** On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of two Bonds, numbered AR-1 and BR-1, respectively, dated the date hereof, by his manual signature, and the undersigned Secretary did officially cause the official seal of the

Issuer to be affixed upon said Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreements. Said official seal is also impressed above the signatures appearing on this certificate.

14. **BOND PROCEEDS:** On the date hereof, the Issuer received from the Authority the agreed purchase price of the Series 1999 A Bonds, being \$6,440,000, there being no interest accrued thereon. On the date hereof, the Issuer received from the Authority the agreed purchase price of the Series 1999 B Bonds, being \$5,259,581.38 (par value of \$5,425,000, less Authority's discount of \$165,418.62), there being no interest accrued thereon.

15. **PUBLICATION OF NOTICE OF BORROWING AND PSC FILING:** The Issuer has published any required notice with respect to, among other things, the acquisition and construction of the Project, anticipated user rates and charges, the issuance of the Bonds and filing of a formal application for a certificate of public convenience and necessity with the Public Service Commission of West Virginia, in accordance with Chapter 16, Article 13A, Section 25 of the Official West Virginia Code of 1931, as amended.

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

have been and are to be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended (including any amendments and successor provisions and the rules and regulations thereunder, the "Code").

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

18. **IRS INFORMATION RETURN:** On the date hereof, the undersigned Chairman did officially execute a properly completed IRS Form 8038-G in connection with both the Series 1999 A and the Series 1999 B Bonds and will cause each such executed Form 8038-G to be filed in a timely manner pursuant to Section 149(e) of the Code with the Internal Revenue Service Center, Philadelphia, Pennsylvania. The information contained in each such executed Form 8038-G is true, correct and complete.

19. **SPECIMEN BOND:** Delivered concurrently herewith are true and accurate specimens of both the Series 1999 A and the Series 1999 B Bonds.

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

21. **GRANTS:** As of the date hereof, the grant in the amount of \$50,000 from the State of West Virginia and the grant in the amount of \$50,000 from The County Commission of Putnam County are committed for the Project and in full force and effect.

22. **YEAR 2000 COMPLIANCE:** The Issuer represents that it has undertaken or will undertake an investigation to determine whether the operations of the System, including but not limited to any billing, collection and inventory computer programs of the System and any electronic or mechanical components of the System are Year 2000 Compliant. The Issuer further represents that if it determines as a result of this investigation that any Mission-Critical Component of the System is not Year 2000 Compliant, the Issuer (i) will take timely and affirmative action to repair or replace any such component, and (ii) will perform adequate testing to ensure the sound operation and Year 2000 Compliant status of the repaired or replaced component. For purposes of this paragraph, "Year 2000 Compliant" means, with respect to the information technology the Issuer uses or will use in the operation of the System (including any date-sensitive microprocessors embedded in electronic or mechanical components of the System), the information technology is designed to be used prior to, during and after calendar Year 2000 A.D., and the information

technology used during each such time period will accurately receive, provide and process date-time data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including the years 1999 and 2000, and leap-year calculations, and will not malfunction, cease to function, or provide invalid or incorrect results as a result of date-time data. For purposes of this paragraph, "Mission-Critical Component" means any component of the System that would be critical to (a) the System's continued operation after January 1, 2000; (b) the Issuer's ability to continue to bill its customers and collect amounts billed from those customers after January 1, 2000; or (c) the Issuer's ability to make all principal and interest payments for the Bonds as and when they become due.

WITNESS our signatures and the official seal of SOUTH PUTNAM PUBLIC
SERVICE DISTRICT on this 16th day of June, 1999.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Carl S. Coffey IV

Chairman

Paul D. Stutley

Secretary

Ralph W. Bassett Jr

Counsel to Issuer

06/15/99
847280/98003

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

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

CERTIFICATE AS TO ARBITRAGE

The undersigned Chairman of the Public Service Board of South Putnam Public Service District in Putnam County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$6,440,000 aggregate principal amount of Water Revenue Bonds, Series 1999 A, and \$5,425,000 aggregate principal amount of Water Revenue Bonds, Series 1999 B, of the Issuer, both dated June 16, 1999 (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, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"). I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution duly adopted by the Issuer on June 15, 1999, as supplemented (the "Bond Resolution"), authorizing the Bonds.

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 the 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 June 16, 1999, the date on which the Bonds are to be physically delivered in exchange for the issue price of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Bonds to be

"arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion. The Issuer has, therefore, covenanted to not intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as otherwise allowed under Sections 103 and 148 of the Code.

6. The Series 1999 A Bonds were sold on June 16, 1999, to the West Virginia Water Development Authority (the "Authority") pursuant to a loan agreement dated June 16, 1999, by and between the Issuer and the Authority, for an aggregate purchase price of \$6,440,000 (100% of par value), there being no accrued interest paid thereon.

7. The Series 1999 B Bonds were sold on June 16, 1999, to the West Virginia Water Development Authority (the "Authority") pursuant to a loan agreement dated June 16, 1999, by and between the Issuer and the Authority, for an aggregate purchase price of \$5,425,000 (100% of par value), there being no accrued interest paid thereon.

8. The Series 1999 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) funding a reserve account for the Series 1999 A Bonds; (iii) capitalizing interest on the Series 1999 A Bonds; and (ii) paying costs of issuance of the Bonds and related costs.

9. The Series 1999 B Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) currently refunding the District's Water Revenue Bonds, Series 1978, Water Revenue Bonds, Series 1989 A, Water Revenue Bonds, Series 1989 B, Water Revenue Bonds, Series 1990 A, Water Revenue Bonds, Series 1990 B and Water Revenue Bonds, Series 1998 A (collectively, the "Prior Bonds"); (ii) funding a reserve account for the Series 1999 B Bonds; and (iii) paying costs of issuance of the Bonds and related costs.

10. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend in excess of \$100,000 on the Project, constituting a substantial binding commitment, or has already done so. Acquisition, construction and equipping of the Project will commence immediately and will proceed with due diligence to completion, and, with the exception of proceeds constituting capitalized interest, if any, and proceeds deposited in the reserve account for the Bonds, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the project on or before October 15, 2000, except as

otherwise required for rebate to the United States under Section 148(f) of the Code. Acquisition and construction of the Project is expected to be completed by July 1, 2000.

11. The total cost of the Project and refunding the Prior Bonds (including all costs of issuance of the Bonds) is estimated at \$11,865,000. Sources and uses of funds for the Project are as follows:

SOURCES

Gross Proceeds of the Series 1999 A Bonds	\$ 6,440,000.00
Gross Proceeds of the Series 1999 B Bonds	<u>5,425,000.00</u>
 Total Sources	 <u>\$11,865,000.00</u>

USES

Acquisition and Construction of Project	\$5,569,394.40
Cost of Refunding Prior Bonds	4,900,000.00
Capitalized Interest on the Series 1999 A Bonds	450,000.00
Funded Reserve Account for the Series 1999 A Bonds	390,605.60
Funded Reserve Account for the Series 1999 B Bonds	356,614.84
Costs of Issuance	<u>198,385.16</u>
 Total Uses	 <u>\$11,865,000.00</u>

Except for the proceeds of the Bonds, no other funds of the Issuer 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.

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

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

- (3) Series 1999 A Bonds Construction Trust Fund;
- (4) Series 1999 B Bonds Construction Trust Fund;
- (5) Rebate Fund;
- (6) Series 1999 A Bonds Sinking Fund;
- (7) Within the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account;
- (8) Series 1999 B Bonds Sinking Fund; and
- (9) Within the Series 1999 B Bonds Sinking Fund, the Series 1999 B Bonds Reserve Account.

13. Pursuant to Article VI of the Bond Resolution, the proceeds of the Bonds will be deposited as follows:

- (1) Series 1999 A Bonds proceeds in the amount of \$450,000 will be deposited in the Series 1999 A Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Bonds during construction of the Project and for a period not to exceed six months following completion thereof.
- (2) Series 1999 A Bonds proceeds in the amount of \$390,605.60 will be deposited in the Series 1999 A Bonds Reserve Account.
- (3) The balance of the proceeds of the Series 1999 A Bonds will be deposited in the Series 1999 A Bonds Construction Trust Fund and applied solely to payment of Costs of the Project, including costs of issuance of the Series 1999 B Bonds and related costs, and for no other purpose.
- (4) Series 1999 B Bonds proceeds in the amount of \$4,900,000 will be used to refund the Prior Bonds.
- (5) Series 1999 B Bonds proceeds in the amount of \$356,614.84 will be deposited in the Series 1999 B Bonds Reserve Account.
- (6) The balance of the proceeds of the Series 1999 B Bonds will be deposited in the Series 1999 B Bonds Construction Trust Fund and applied solely to payment of costs of the Project, including costs of issuance of the Series 1999 B Bonds and related costs, and for no other purpose.

Amounts in the Series 1999 A Bonds Construction Trust Fund and the Series 1999 B Bonds Construction Trust Fund, if invested, will be invested without yield limitation for a period necessary to complete the Project, not to exceed 3 years. All of such moneys are necessary for such purpose.

None of the proceeds of the Bonds will be used to reimburse the Issuer for costs of the Project previously incurred and paid by the Issuer with its own funds.

14. Moneys held in the Series 1999 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 1999 A Bonds, and will not be available to meet costs of acquisition and construction of the Project. Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 A Bonds Sinking Fund and the Series 1999 A Bonds Reserve Account will be withdrawn therefrom, not less than once each year, and, during construction of the Project, deposited into the Series 1999 A Bonds Construction Trust Fund, and following completion of construction of the Project, will be deposited in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

15. Moneys held in the Series 1999 B Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 1999 B Bonds, and will not be available to meet costs of acquisition and construction of the Project. Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1999 B Bonds Sinking Fund and the Series 1999 B Bonds Reserve Account will be withdrawn therefrom, not less than once each year, and, during construction of the Project, deposited into the Series 1999 B Bonds Construction Trust Fund, and following completion of construction of the Project, will be deposited in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

16. Except for the Series 1999 A Bonds Sinking Fund and the Series 1999 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 Series 1999 A Bonds, or which are pledged as collateral for the Series 1999 A Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Series 1999 A Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Rebate Fund or the Renewal and Replacement Fund will be used or needed for payments upon the Series 1999 A Bonds, and because such amounts may be expended for other purposes, there is no reasonable assurance that such amounts would be available to meet debt service if the Issuer encounters financial difficulties; thus, such amounts may be invested without yield limitation. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved desegregation plan or other investment property producing a yield in

excess of the yield on the Series 1999 A Bonds, have been or will be pledged to payment of the Series 1999 A Bonds. Less than 10% of the proceeds of the Series 1999 A Bonds, if any, will be deposited in the Series 1999 A Bonds Reserve Account and or any other reserve or replacement fund. The amounts deposited in the Series 1999 A Bonds Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest on the Series 1999 A Bonds, and will not exceed 125% of average annual principal and interest on the Series 1999 A Bonds. Amounts in the Series 1999 A Bonds Reserve Account, not to exceed 10% of the proceeds of the Series 1999 A Bonds, if invested, will be invested without yield limitation. The establishment of the Series 1999 A Bonds Reserve Account is required by the Authority, is vital to its purchase of the Series 1999 A Bonds, and is reasonably required to assure payments of debt service on the Series 1999 A Bonds.

17. Except for the Series 1999 B Bonds Sinking Fund and the Series 1999 B 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 Series 1999 B Bonds, or which are pledged as collateral for the Series 1999 B Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Series 1999 B Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Rebate Fund or the Renewal and Replacement Fund will be used or needed for payments upon the Series 1999 B Bonds, and because such amounts may be expended for other purposes, there is no reasonable assurance that such amounts would be available to meet debt service if the Issuer encounters financial difficulties; thus, such amounts may be invested without yield limitation. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved desegregation plan or other investment property producing a yield in excess of the yield on the Series 1999 B Bonds, have been or will be pledged to payment of the Series 1999 B Bonds. Less than 10% of the proceeds of the Series 1999 B Bonds, if any, will be deposited in the Series 1999 B Bonds Reserve Account and or any other reserve or replacement fund. The amounts deposited in the Series 1999 B Bonds Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest on the Series 1999 B Bonds, and will not exceed 125% of average annual principal and interest on the Series 1999 B Bonds. Amounts in the Series 1999 B Bonds Reserve Account, not to exceed 10% of the proceeds of the Series 1999 B Bonds, if invested, will be invested without yield limitation. The establishment of the Series 1999 B Bonds Reserve Account is required by the Authority, is vital to its purchase of the Series 1999 B Bonds, and is reasonably required to assure payments of debt service on the Series 1999 B Bonds.

18. The Issuer shall, on the date hereof or immediately hereafter, enter into a contract for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds from the sale of the Bonds or \$100,000.

19. Work with respect to the acquisition and construction of the Project will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within 12 months.

20. 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.

21. With the exception of the amount deposited in the Series 1999 A Bonds Sinking Fund for payment of interest on the Bonds, if any, and amounts deposited in the Series 1999 A Bonds Reserve Account and the Series 1999 B Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 15 months from the date of issuance thereof.

22. The Series 1999 A Bonds Sinking Fund (other than the Series 1999 A Bonds Reserve Account therein) is intended primarily to achieve a proper matching of payments of debt service on the Series 1999 A Bonds each year. The Series 1999 A Bonds Sinking Fund (other than the Series 1999 A Bonds Reserve Account therein) will be depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1/12th of annual debt service on the Series 1999 A Bonds, or 1 year's interest earnings on the Series 1999 A Bonds Sinking Fund (other than the Series 1999 A Bonds Reserve Account therein). Except as otherwise allowed, any money deposited in the Series 1999 A Bonds Sinking Fund for payment of the principal of or interest on the Series 1999 A Bonds (other than the Series 1999 A Bonds Reserve Account therein), will be spent within a 13-month period beginning on the date of receipt and will be invested without yield limitation, and any moneys received from the investment of amounts held in the Series 1999 A Bonds Sinking Fund (other than in the Series 1999 A Bonds Reserve Account therein) will be spent within a 1-year period beginning on the date of receipt.

23. The Series 1999 B Bonds Sinking Fund (other than the Series 1999 B Bonds Reserve Account therein) is intended primarily to achieve a proper matching of payments of debt service on the Series 1999 B Bonds each year. The Series 1999 B Bonds Sinking Fund (other than the Series 1999 B Bonds Reserve Account therein) will be depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1/12th of annual debt service on the Series 1999 B Bonds, or 1 year's interest earnings on the Series 1999 B Bonds Sinking Fund (other than the Series 1999 B Bonds Reserve Account therein). Except as otherwise allowed, any money deposited in the Series 1999 B Bonds Sinking Fund for payment of the principal of or interest on the Series 1999 B Bonds (other than the Series 1999 B Bonds Reserve Account therein), will be spent within a 13-month period beginning on the date of receipt and will be invested without yield limitation, and any moneys received from the investment of amounts held in the Series 1999 B Bonds Sinking Fund (other than in the Series 1999 B Bonds Reserve Account therein) will be spent within a 1-year period beginning on the date of receipt.

24. All proceeds of the Bonds which will be used for the payment of costs of the Project will be expended for such purposes within three years of June 15, 1999.

25. 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.

26. 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.

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

28. 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 Bonds or \$5,000,000 have been or will be used to make or finance loans to, any person who is not a governmental unit.

29. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue, except to the extent any such proceeds are required for rebate to the United States.

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

31. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from 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 necessary to comply with the Code and the Treasury Regulations promulgated or to be promulgated thereunder in order to assure that the interest on the Bonds is excluded from gross income for federal income tax purposes.

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

33. The Issuer will rebate to the United States the amount, if any, required by the Code and 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 other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

34. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Bonds from the gross income for federal income tax purposes of interest on the Bonds.

35. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in the Code.

36. The Issuer has either (a) funded the Series 1999 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Series 1999 A Bonds in the then current or any succeeding year with the proceeds of the Series 1999 A Bonds, or (b) created the Series 1999 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10 year period until such Series 1999 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 1999 A Bonds in the then current or any succeeding year. Moneys in the Series 1999 A Bonds Reserve Account and the Series 1999 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 1999 A Bonds and will not be available to pay costs of the Project.

37. The Issuer has either (a) funded the Series 1999 B Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Series 1999 B Bonds in the then current or any succeeding year with the proceeds of the Series 1999 B Bonds, or (b) created the Series 1999 B Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10 year period until such Series 1999 B Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 1999 B Bonds in the then current or any succeeding year. Moneys in the Series 1999 B Bonds Reserve Account and the Series 1999 B Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 1999 B Bonds and will not be available to pay costs of the Project.

38. The Issuer shall submit to the Authority within 15 days following the end of each bond year a certified copy of its rebate calculation and a certificate with respect thereto or, if the Issuer qualifies for the small governmental issuer exception to rebate, or any other exception thereto, 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.

39. 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.

40. 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 and the interest thereon. In addition, the Issuer has covenanted 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, and has covenanted to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Resolutions authorizing issuance of the Bonds.

The Issuer has further covenanted to calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. The Issuer has further covenanted to pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

41. The Bonds are each a fixed yield issue. No interest or other amount payable on the Bonds (other than in the event of an unanticipated contingency) is determined by reference to (or by reference to an index that reflects) market interest rates or stock or commodity prices after the date of issue.

42. None of the Bonds has a yield-to-maturity more than one-fourth of one percent higher than the yield on the Bond determined by assuming the Bond is retired on the date that when used in computing the yield on the Bond produces the lowest yield.

43. No portion of the proceeds of the Bonds will be used, directly or indirectly, to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

44. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

45. Except for a reasonable temporary period until such proceeds are needed for the purpose for which such issue was issued or as otherwise allowed, no portion of the proceeds of the Bonds will be used, directly or indirectly, to acquire higher yielding investments, or to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

46. The transaction contemplated herein does not represent an exploitation of the difference between taxable and tax-exempt interest rates and the execution and delivery of the Bonds is not occurring sooner than otherwise necessary, nor are the Bonds in principal amounts greater than otherwise necessary or to be outstanding longer than otherwise necessary.

47. On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

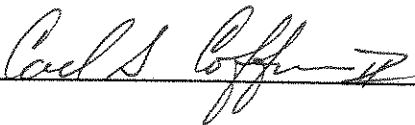
48. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

49. Steptoe & Johnson 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.

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

WITNESS my signature on this 16th day of June, 1999.

SOUTH PUTNAM PUBLIC
SERVICE DISTRICT


Chairman

06/15/99
847280/98003

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

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

ENGINEER'S CERTIFICATE

I, RONALD C. McMAINE, Registered Professional Engineer, West Virginia License No. 12321, of Howard K. Bell Consulting Engineers, Inc., Lexington, Kentucky, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain extensions and improvements to the existing waterworks system (herein called the "Project") of South Putnam Public Service District (the "Issuer") to be constructed primarily in Putnam County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. All capitalized words not defined herein shall have the meanings set forth in the Resolution adopted by the Issuer on June 15, 1999, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority") dated June 16, 1999.

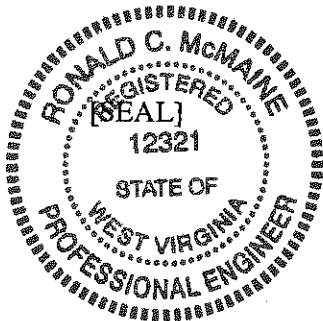
2. The Bonds are being issued for the purposes, in conjunction with other funds of the Issuer, of refunding certain outstanding debt of the Issuer, acquiring the assets of Kanawha Orchard Public Service District, funding reserve accounts for the Bonds, capitalizing interest on the Series 1999 A Bonds and construction of certain extensions and improvements to the existing waterworks system of the Issue.

3. To the best of my knowledge, information and belief (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the Bureau of Public Health and the West Virginia Public Service Commission and any change orders approved by the Issuer, the Bureau of Public Health and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 40 years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in Schedule A attached hereto as Exhibit A and, in reliance upon the opinion of Ralph W. Bassett, Esquire, all successful bidder(s) have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidder(s) received any and all addenda to the original bid

documents; (v) the bid documents relating to the Project reflect the Project as approved by the Bureau of Public Health and the bid form(s) provided to the bidders contain all critical operational components of the Project; (vi) the successful bid(s) include prices for every item on such bid form(s); (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) in reliance upon the certificate of Ralph W. Bassett, CPA, Esquire of even date herewith, as of the effective date thereof, the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b) (ii) of the Loan Agreement; (x) 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, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by Bureau of Public Health; and (xi) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature and seal on this 16th day of June, 1999.

HOWARD K. BELL CONSULTING ENGINEERS, INC.



By: Ronald C. McMaine
Its Principal
Registered Professional Engineer,
West Virginia License No. 12321

06/15/99
847280/98003

DATE: 16 June 1999

SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: South Putnam Public Service District
ESTIMATED TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING:

A. Cost of Project

1.	Construction	\$4,480,217.15	
	Acquisition of Kanawha Orchard PSD	\$524,964.95	
2.	Technical Services	\$429,315.69	
3.	Legal and Fiscal	\$7,053.56	
4.	Administrative	\$19,636.42	
5.	Site and Other Lands	\$58,900.00	
6.	Step I and/or Step II (Design) or Other Loan		
	Repayment	\$151,094.33	
	Specify Type:		
	Engineering	\$105,684.31	
	Administrative	\$10,363.58	
	Legal & Fiscal	\$18,946.44	
	Rights-of-Way	\$16,100.00	
7.	Interim Financing Costs	\$20,093.67	
8.	Contingency	\$272,369.98	
9.	Total of Lines 1 through 8		\$5,963,645.75

B. Sources of Funds

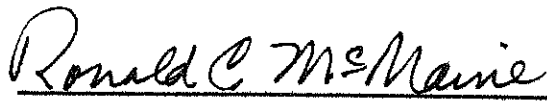
10.	Federal Grants:① (Specify Source)		
11.	State Grants: (Specify Source)	Legislative	\$50,000
12.	Other Grants: (Specify Source)		
		Putnam County Commission	\$50,000
13.	Any Other Source:② (Specify)	Tap Fees	\$50,000
		Interest Earned	\$100,000
		KOPSD Debt Service Reserve	\$64,861.17
		SPPSD Debt Service Reserve	\$77,518.87
14.	Total of Lines 10 through 13		\$392,380.04

15.	Net Proceeds Required from Bond Issue (Line 9 less Line 14)		\$5,571,265.71
16.	Capitalized Interest (Construction period plus six months)	\$450,000.00	
17.	Funded Reserve Account ^③	\$390,605.60	
18.	Other Costs ^④ [Bond Counsel]	\$30,000.00	
19.	Total Cost of Financing (Lines 16 through 18)		\$870,605.60
	Refinancing		\$5,423,128.69
20.	Size of Bond Issue (Line 15 plus Line 19)		\$11,865,000.00

Additional or explanatory material may be provided on additional sheets attached to Schedule A. See South Putnam Refunding Sources and Uses, Exhibit 2.



 SIGNATURE OF AUTHORIZED
 OFFICER OF APPLICANT



 SIGNATURE OF ENGINEER

①Attach support documentation not previously submitted. If not yet available, state such and expectations as to availability.

②For example, interest earnings during construction, if applicable. Include the proceeds of any parity or attach supporting documentation if available (if not yet available, state such and expectations as to availability).

③Consult with bond counsel and the Authority before assuming a funded reserve.

④For example, fees of bond counsel for the Government Agency.

RALPH W. BASSETT, JR.
CERTIFIED PUBLIC ACCOUNTANT

1156 SOUTH MAIN STREET
MILTON, WV 25541
TELEPHONE (304) 743-5573
FAX (304) 743-1150

June 16, 1999

South Putnam Public Service District
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

South Putnam Public Service District
Scott Depot, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia entered May 28, 1999, in Case No. 98-0819-PWD-CN, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by H.K. Bell Consulting Engineers, Inc., it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of South Putnam Public Service District (the "Issuer"), will pay all repair, operation and maintenance expense of the System and leave a balance each year equal to at least 110% of the maximum amount of the required in any year for debt service on the issuer's Water Revenue Bonds, Series 1999 A and Series 1999 B (West Virginia Water Development Authority) (collectively, "the Bonds"), and all other obligations secured by or payable from the revenues of the System on a parity with or junior to the bonds, including the Issuer's Water System Note, Series 1997, dated October 30, 1997.

Sincerely yours,



Ralph W. Bassett, Jr.

RWB:bkb

E:\wpfiles\SPPSd\peach creek\opinion letters\CPA opinion

WV MUNICIPAL BOND COMMISSION
812 Quarrier Street
Suite 300
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: June 16, 1999

(See Reverse for Instructions)

ISSUE: South Putnam Public Service District Water Revenue Bonds,
Series 1999 A (West Virginia Water Development Authority)

ADDRESS: Post Office Box 147, Scott Depot, WV 25560

COUNTY: Putnam

PURPOSE OF ISSUE: New Money: X
Refunding: _____

REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: June 16, 1999

CLOSING DATE: June 16, 1999

ISSUE AMOUNT: \$6,440,000

RATE: 5.8%

1ST DEBT SERVICE DUE: 10/1/1999

1ST PRINCIPAL DUE: 10/1/2000

1ST DEBT SERVICE AMOUNT: \$108,943.33

PAYING AGENT: Municipal Bond Commission

BOND

COUNSEL: Septoe & Johnson

Contact Person: Vincent A. Collins, Esq.

Phone: 624-8161

UNDERWRITERS

COUNSEL: Jackson & Kelly

Contact Person: Samme L. Gee, Esq.

Phone: 340-1318

CLOSING BANK: Putnam County Bank

Contact Person: Jack Wilson, President

Phone: 562-9931

ESCROW TRUSTEE: _____

Contact Person: _____

Phone: _____

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Fred D. Stottlemeyer

Position: General Manager

Phone: 757-6551

OTHER: Water Development Authority

Contact Person: Daniel B. Yonkosky

Function: Executive Director

Phone: 558-3612

DEPOSITS TO MBC AT CLOSE:

By: _____ Wire
_____ ☒ Check

Accrued Interest: \$ _____

☒ Capitalized Interest: \$450,000

☒ Reserve Account: \$390,605.60

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: _____

WV MUNICIPAL BOND COMMISSION
812 Quarrier Street
Suite 300
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: June 16, 1999

(See Reverse for Instructions)

ISSUE: South Putnam Public Service District Water Revenue Bonds,
Series 1999 B (West Virginia Water Development Authority)

ADDRESS: Post Office Box 147, Scott Depot, WV 25560

COUNTY: Putnam

PURPOSE OF ISSUE: New Money: _____
Refunding: X

REFUNDS ISSUE(S) DATED: See Resolution

ISSUE DATE: June 16, 1999

CLOSING DATE: June 16, 1999

ISSUE AMOUNT: \$5,425,000

RATE: Composite

1ST DEBT SERVICE DUE: 10/1/1999

1ST PRINCIPAL DUE: 10/1/2000

1ST DEBT SERVICE AMOUNT: \$102,129.86

PAYING AGENT: Municipal Bond Commission

BOND

COUNSEL: Steptoe & Johnson

Contact Person: Vincent A. Collins, Esq.
Phone: 624-8161

UNDERWRITERS

COUNSEL: Jackson & Kelly

Contact Person: Sammie L. Gee, Esq.
Phone: 340-1318

CLOSING BANK: Putnam County Bank

Contact Person: Jack Wilson, President
Phone: 562-9931

ESCROW TRUSTEE: _____

Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Fred D. Stottlemeyer
Position: General Manager
Phone: 757-6551

OTHER: Water Development Authority

Contact Person: Daniel B. Yonkosky
Function: Executive Director
Phone: 558-3612

DEPOSITS TO MBC AT CLOSE:

By: _____ Wire _____
✓ Check

Accrued Interest: \$ _____
Capitalized Interest: \$ _____
✓ Reserve Account: \$356,614.84
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: _____

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1998 A and Series 1998 B
(West Virginia Water Development Authority)

RECEIPT OF UNITED STATES DEPARTMENT OF AGRICULTURE,
RURAL UTILITIES SERVICE

The undersigned, duly authorized representative of the United States Department of Agriculture, Rural Utilities Service, for and on behalf of itself and the United States of America, as holder of the following Water Revenue Bonds of South Putnam Public Service District (the "Issuer"); (i) Water Revenue Bonds, Series 1978, dated December 18, 1978, issued in the original aggregate principal amount of \$460,000; (ii) Water Revenue Bonds, Series 1989 A, dated June 27, 1989, issued in the original aggregate principal amount of \$880,000; (iii) Water Revenue Bonds, Series 1989 B, dated June 27, 1989, issued in the original aggregate principal amount of \$54,475.03; (iv) Water Revenue Bonds, Series 1990 A, dated October 23, 1990, issued in the original aggregate principal amount of \$1,750,000; (v) Water Revenue Bonds, Series 1990 B, dated October 23, 1990, issued in the original aggregate principal amount of \$250,000; and (vi) Water Revenue Bonds, Series 1998 A, dated April 14, 1998, issued in the original aggregate principal amount of \$1,791,116.00, (collectively, the "Prior Bonds"), hereby acknowledges receipt of the sum of \$4,901,095.23 from the Issuer, as payment in full of the outstanding principal of, and interest on, the Prior Bonds.

WITNESS my signature on this 16th day of June, 1999.

UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE



Its Duly Authorized Representative

06/14/99
847280/98003

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT is made and entered into as of the 17th day of December, 1992, by and between SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation ("Purchaser"), and KANAWHA ORCHARD PUBLIC SERVICE DISTRICT ("Seller").

R E C I T A L S

WHEREAS, Seller owns and operates water distribution and related utility properties (hereinafter "System"), located in the Scott District area of Putnam County, West Virginia; and,

WHEREAS, Purchaser is a public service district, created and authorized to transact business in accordance with the laws of the State of West Virginia, and is engaged in providing water and sewer services to residences and businesses in the southern portion of Putnam County, West Virginia, pursuant to authority granted by the Public Service Commission of the State of West Virginia; and

WHEREAS, Seller desires to sell, and Purchaser desires to purchase, all of the utility assets of the Seller upon the terms and conditions stated in this Agreement;

NOW, THEREFORE, subject to the terms and conditions of this Agreement, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE

1.01 Properties and Assets to be Sold and Purchased. Seller agrees to sell and deliver to Purchaser and Purchaser agrees to purchase from Seller the following utility assets and properties of Seller:

A. Tangible Property. All tangible property, real and personal, comprising the assets owned by the Seller and operated as the System by Seller, including, but without limitation:

- (i) all of the water utility distribution system;
- (ii) all real estate, buildings, plant facilities and other structures used in connection with the operation of the Seller.

B. Related Contractual Rights. To the extent assignable, and subject to the terms of Section 1.03 hereof, all right, title and interest of the Seller in, to and under all contracts and agreements relating exclusively to the operation of the Seller's

System including all agreements with contractors, service agreements, equipment leases, and all other leases, contracts, agreements, sales orders, and purchase orders.

C. Government Licenses, Permits and Approvals. To the extent assignable, and subject to the terms of Section 1.03 hereof, all governmental licenses, franchises, permits, approvals, and certificates of public convenience and necessity issued to or used by Seller exclusively in the operations of the System, including all renewals, extensions, additions, amendments, modifications and replacements thereof.

D. Other Assets.

(i) All of the parts, supplies, inventories, fixtures, furniture and other tangible personal property of every kind and nature whatsoever owned by Seller and used exclusively in the operations of the Seller's System;

(ii) All paid expenses and deferred charges, relating exclusively to the operations of the Seller's System;

(iii) All revenues accrued but unbilled at the Effective Date;

(iv) All right, title and interest in, to, and under notes, customer accounts receivable, and other receivables of Seller arising exclusively from the operation of the System;

(v) All books and records relating exclusively to the operations of the System, including, but not limited to, all books of account, journals and ledgers, files, correspondence, memoranda, maps, plats, customer lists, supplier lists, promotional materials, building and machinery diagrams, plans, continuing property records, customer deposit list, customer account histories, leak survey records, meter inventory and test records and all other records maintained pursuant to requirements of the Public Service Commission. Seller retains the right to keep copies of all books and records transferred under this Section 1.01.D(v);

(vi) All right, title and interest of the Seller in and to all debts, choses in action, claims and causes of action (whether or not contingent), all goodwill, trade secrets, technology, processes, designs, patterns, privileges and memberships and all other intangible personal property of like kind and character relating exclusively to the business of the

Seller, whether evidenced in writing or not and whether identified on the books and records of the Seller or not.

All the properties, assets, rights and interests described in this Section 1.01 are sometimes collectively referred to herein as the "Purchase Assets" and shall be more particularly described in the Assets List referred to in Section 4.18.A hereof.

1.02 Excluded Assets. Anything contained in this Agreement to the contrary notwithstanding, the following rights, properties and assets (collectively referred to herein as the "Excluded Assets") shall not be included in the Purchase Assets.

A. Certain Excluded Assets. All cash and prepaid expenses not exclusively related to the operations of the System.

B. Ordinary Course of Business Dispositions. All of the rights, properties and assets of the Seller which shall have been transferred, sold or otherwise disposed of prior to the Closing Date in transactions conducted in the ordinary course of business or otherwise not in breach of this Agreement.

C. Properties Owned By Third Parties. Subject to the provisions of 1.01.B., all assets, properties and rights relating

to or used in connection with any of the Purchase Assets owned by third parties.

D. Unrelated Assets. Assets, properties, rights and interests which are not used or useful or intended for use in, the operations of the System, including but not limited to all patents, trade secrets, technology, processes, inventions, designs, and patterns owned by Seller.

E. Tax Refunds. All claims for refunds of any taxes (whether state, federal, foreign, local or other) applicable to all periods prior to the Effective Date.

F. Tradenames, Trade Marks. All rights to the tradename "Kanawha Orchard Public Service District" and any reasonable variance thereof and any trade marks, service marks or logos associated therewith.

1.03 Nonassignable Permits, Licenses, Leases and Contracts. To the extent that any lease, contract, permit, approval or any other property interest constituting a part of the Purchase Assets is not capable of being assigned, transferred or subleased or if such assignment, transfer or sublease or attempted assignment, transfer or sublease would constitute a breach

thereof or a violation of any law, decree, order, regulation or other governmental edict, this Agreement shall not constitute an assignment, transfer or sublease thereof, or an attempted assignment, transfer or sublease thereof. A schedule of all such leases, contracts, permits, approvals or any other property interest has been delivered in accordance with Section 4.18.D. hereof.

1.04 Seller to Use Reasonable Efforts. Seller will exercise reasonable efforts, and Purchaser will cooperate with Seller, to obtain any consents and waivers required of third parties and to resolve any impracticalities arising in connection with the assignments, transfers and subleases of the Purchase Assets as contemplated hereunder and to obtain any other material consents and waivers necessary to convey to Purchaser any of the Purchase Assets.

ARTICLE II

ASSUMPTION OF LIABILITIES

2.01 Assumed Obligations. Except as otherwise provided in this Article II, Purchaser, its successors and permitted assigns,

shall assume on the Closing Date effective from and after the Effective Date, and thereafter will promptly and fully pay and satisfy the following liabilities, obligations, contracts and commitments of Seller arising exclusively from the operation of the System or the ownership of the Purchase Assets (all such assumed obligations are referred to herein as the "Operational Obligations"):

A. All liabilities and obligations arising with respect to customer deposits in the possession or control of Seller.

B. All other liabilities, obligations, contracts or commitments of Seller arising from the operation of the System or the ownership of the Purchase Assets, which are listed on the Schedule of Operational Obligations to be delivered in accordance with Section 4.18.C., and no others.

C. In addition to Operational Obligations existing as of the Effective Date, Purchaser shall assume on the Closing Date, effective as of the Effective Date, all liabilities and obligations arising from and after the Effective Date from the operation of the System or the use, ownership or possession of the Purchase Assets.

2.02 Excluded Obligations. Purchaser, its successors and permitted assigns shall not assume the following specific liabilities and obligations of Seller (the "Excluded Obligations"):

A. Any liabilities and obligations for personal injury or property damage occurring prior to the Effective Date;

B. Any accumulated deferred investment tax credits or accumulated deferred income tax liabilities of Seller;

C. Any liabilities and obligations (other than those assumed under Section 2.01A, Section 2.01B and Section 2.01C above), including any pending or contingent liabilities or obligations, to employees of Seller, incurred prior to the Effective Date;

D. Any accounts payable of Seller to any affiliated corporation as of the Effective Date; and

E. Any liabilities arising from all litigation and claims resulting from any act or omission by Seller relating to the operation of the System or the ownership of the Purchase Assets prior to the Effective Date.

2.03 Indemnification. Purchaser hereby agrees that it will pay and fully discharge the Operational Obligations including all

reasonable costs and expenses incurred in connection therewith and shall indemnify and hold Seller harmless from and against all Operational Obligations. Seller hereby agrees that it will pay and fully discharge the Excluded Obligations described above including all reasonable costs and expenses incurred in connection therewith and shall indemnify and hold Purchaser harmless from and against all Excluded Obligations.

2.04 Recovery of Excluded Obligations. Subject to the last sentence of Section 2.03 above, Purchaser shall cooperate reasonably with Seller, at Seller's expense, by filing and pursuing on Seller's behalf any and all appropriate proceedings to recover, and shall pay to Seller upon any such recovery resulting therefrom, any Excluded Obligations which Seller reasonably determines it would have sought to recover through such proceedings had Seller continued to own the Purchase Assets.

ARTICLE III

PURCHASE PRICE

3.01 Purchase Price.

A. Computation of Purchase Price. Purchaser shall pay Seller One Dollar (\$1.00), and assume the Seller's outstanding indebtedness to the Farmers Home Administration ("FmHA") for

those properties and assets referred to in Article I hereof. At the time of the execution of this Agreement on December 17, 1992, the amount owed to the FmHA is Five Hundred Seventy-Three Thousand Sixteen Dollars and Sixty-Three Cents (\$573,016.63).¹

B. Payment of Purchase Price. At Closing, the Purchaser shall deliver to Seller the Purchase Price and shall execute all necessary documents to effectuate the assumption of the outstanding debt to FmHA.

C. Closing. The closing shall take place within thirty (30) days of receipt of a final non-appealable order of the Public Service Commission of West Virginia approving such purchase and sale, such time and date being referred to herein as the "Effective Date" for purposes of the determination of the Purchase Price and, unless this Agreement is terminated pursuant to Article XII hereof, all transactions effected after the Effective Date will be for the account of the Purchaser.

¹ Bond #1: Principal Owed as of 12/17/92 = \$ 52,038.50
 Unpaid Interest as of 12/17/92 = 128.32

 Bond #2: Principal Owed as of 12/17/92 = \$518,515.84
 Unpaid Interest as of 12/17/92 = 2,333.97

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLER

Seller represents and warrants to Purchaser that:

4.01 Status. Seller is a public corporation, duly organized, validly existing and in good standing under the laws of the State of West Virginia, with full power and authority to own its properties and assets and conduct its business, and is qualified and in good standing as a public service district in West Virginia.

4.02 Financial Statements Previously Delivered. Seller has furnished Purchaser with copies of the Annual Reports of the System as of June 30, 1992, respectively filed with the Public Service Commission of West Virginia ("PSC"), together with related statements of earnings for the years then ended. Such Annual Reports have been prepared substantially in accordance with the PSC's Uniform System of Accounts.

4.03 Financial Statements and Reports To Be Delivered. Until the Closing Date, Seller shall promptly furnish to Purchaser unaudited balance sheets of the operations of the

System, as of the end of each quarter in the fiscal year of Seller ending on or prior to the Closing Date, together with related statements of earnings for each quarter then ended. Each of said financial statements will be prepared directly from the books and records of Seller on a basis consistent with prior periods, and will fairly reflect the balances from such books and records as of the date thereof or, as the case may be, the results of the operations for the period covered thereby, except as otherwise provided therein.

4.04 Authority. Subject to regulatory authorizations and approvals and the provisions of Section 1.03, Seller has the full right, power and authority to enter into and perform this Agreement, and the consummation of the transactions contemplated by this Agreement in accordance with its terms, and compliances with the terms and conditions hereof and the closing of the transactions contemplated hereby will not violate or conflict with any provision of law or result in the breach or termination of any provision of, or constitute a default under any indenture, agreement or other instrument to which Seller is a party or by which any of its properties and assets may be bound.

4.05 Corporate Authorization. Seller has taken all necessary legal and corporate actions to authorize and approve the execution, delivery and performance of this Agreement and all transactions contemplated hereby. The execution and delivery of this Agreement, and the performance of the transactions provided for herein have been duly authorized and approved by the board of the Seller and other requisite corporate action on the part of Seller.

4.06 Material Change. Except as disclosed in a certificate executed by a duly authorized officer of Seller delivered to Purchaser concurrently with the execution of this Agreement ("Seller's Disclosure Schedule"), since June 30, 1992:

A. There has been no material adverse changes in the business, operations, assets or financial condition of the System, nor any damage, destruction or loss materially adversely affecting the System;

B. Except for those actions taken in compliance with this Agreement, the business of the Seller has been conducted in substantially the same manner in which it had been previously conducted;

C. The Purchase Assets have not been mortgaged, pledged or subjected to any lien or security interest, except as disclosed in the Seller's Disclosure Schedule;

D. Except as disclosed in the Seller's Disclosure Schedule or otherwise disclosed in writing to Purchaser, no material liability, contractual or otherwise, has been incurred (whether absolute, accrued, contingent or otherwise) by the Seller in connection with the operation of the System.

4.07 Title To Property.

A. **Nature of Title.** The Seller's Disclosure Schedule sets forth all liens, easements or encumbrances of any kind relating to the Purchase Assets. At Closing, the Seller will transfer to Purchaser title to the Purchase Assets free and clear of any mortgage, pledge, lien, security interest, conditional sale agreement, encumbrance, suit, proceeding or charge of any kind, except for the matters set forth in the Seller's Disclosure Schedule and any exception as may exist in the titles acquired by the Seller.

B. **Further Warranties as to Title to Real Property.** As to Purchase Assets constituting interests in real property, Seller

warrants except for the matters set forth in the Seller's Disclosure Schedule:

(i) That it is not aware of any pending or threatened action or proceeding which challenges or calls into question Seller's right to install, possess and maintain any existing distribution line or any easement, right of way or permit required for such installation, possession and maintenance.

C. Conveyance Documents. Seller agrees:

(i) That all real properties, except leasehold estates and easements, comprising part of the Purchase Assets, shall be conveyed by Seller to Purchaser by general warranty deed, substantially in the form of the deed attached hereto as Exhibit A;

(ii) That all of Seller's interests in easements for distribution facilities used in the System shall be conveyed and assigned by Seller to Purchaser by a deed and assignment or deeds and assignments substantially in the form of the deed and assignment attached hereto as Exhibit B;

(iii) That all of Seller's interest as lessee in leasehold estates comprising part of the Purchase Assets shall be

conveyed and assigned by Seller to Purchaser by deed and assignment or deeds and assignments substantially in the form of the deed and assignment attached hereto as Exhibit C;

(iv) That all of Seller's interest as lessor in leases of properties comprising part of the Purchase Assets shall be assigned by Seller to Purchaser by assignment of lease or assignments of leases substantially in the form of the assignment of lease attached hereto as Exhibit D;

(v) That all tangible personal property comprising part of the Purchase Assets shall be transferred by Seller to Purchaser by bill of sale or bills of sale substantially in the form of the bill of sale attached hereto as Exhibit E and by transfer of any certificate of title relating thereto;

(vi) That all intangible personal property comprising part of the Purchase Assets shall be transferred by Seller to Purchaser by assignment or assignments substantially in the form of the assignment agreement attached hereto as Exhibit F; and,

Purchaser and Seller further agree that Purchaser shall pay all costs and expenses incurred for (i) any examination of title to the properties comprising the Purchase Assets (including any

title insurance); (ii) any surveys of the real property comprising part of the Purchase Assets; and (iii) all fees and taxes for the recordation of deeds, assignments, bills of sale or other documents conveying or transferring title to any of the Purchase Assets.

4.08 Franchises and Certificates of Public Convenience and Necessity. Except as disclosed in the Seller's Disclosure Schedule, Seller has all certificates, franchises, licenses and other authorities as are now necessary for the conduct of the business of the System as now conducted, and there are no proceedings pending or, to the knowledge of Seller, threatened that seek the revocation, cancellation, suspension or any material adverse modification of any thereof.

4.09 Litigation. Except as disclosed in the Seller's Disclosure Schedule:

There are no actions, suits, proceedings or administrative investigations pending or, to the knowledge of Seller, threatened, against Seller the outcome of which would materially and adversely affect the Purchase Assets of the Seller, including any actions, suits, proceedings or administrative investigations

in connection with the conduct of the System under any federal, state or local law relating to air or water pollution or other environmental protection matters or to occupational, safety or health matters.

4.10 Burdensome Provisions. Except as disclosed in the Seller's Disclosure Schedule, Seller is not a party to any agreement or instrument or subject to any charter or other corporation restriction or any governmental restrictions, rules or regulations which materially and adversely affect the business operations and assets of the System.

4.11 Compliance with Other Instruments. Except as disclosed in the Seller's Disclosure Schedule, Seller is not in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions contained in any contract, commitment, bond, debenture, note or other evidence of indebtedness which would materially and adversely affect the business operations or Purchase Assets of the System.

4.12 Insurance. The Seller's Disclosure Schedule contains a list of the insurance policies presently in effect with respect to the assets and business operations of the System. Seller will

keep the coverage afforded by such policies in full force and effect through the Closing Date.

4.13 Taxes. Except for ad valorem and similar taxes, any tax, license, franchise or registration fee, or other governmental charge of any nature, due and payable upon or with respect to the Purchase Assets or the business operations of the System prior to the Closing Date has been or will be paid by Seller.

4.14 Tax Returns. Seller has duly prepared and filed (or will so prepare and file) any and all tax returns and reports required by federal, state and local tax authorities, for Seller's activities with respect to the Purchase Assets or the business operations of the System covering periods of Seller's ownership of the Purchase Assets up to and through the Effective Date.

4.15 Compliance With Laws.

A. Except for matters disclosed in the Seller's Disclosure Schedule, the operations of the System, as presently conducted, are in substantial compliance in all material respects with applicable laws, orders, rules, regulations and ordinances of all

federal, state and local governmental, administrative and judicial authorities and agencies ("Legal Requirements").

B. Except for matters disclosed in the Seller's Disclosure Schedule, Seller has not received any written notice of any claim that the operations conducted in connection with the System presently violate in any material respect any applicable zoning or other governmental requirements (including, but without limitation, regulations establishing quality criteria or standards for air, water, land, waste and noise) relating to the conduct of such operations of the plant, equipment and other tangible property used in connection therewith.

4.16 Condition of Property. To the Seller's knowledge, all material items of personal property and fixtures constituting a part of the Purchase Assets used in the normal operations of the System have been maintained in all material respects in a state of repair (normal wear and tear expected) which the Seller believes to be adequate for the normal use of such items in the ordinary conduct of the business of the System.

4.17 Fees. Seller has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees

in connection with the sale of the Purchase Assets provided for herein.

4.18 Documents To Be Delivered. Upon the execution of this Agreement, Seller will furnish to Purchaser:

A. A list more specifically describing the Purchase Assets (the "List of Purchase Assets"), together with a map generally indicating the location of the water distribution lines and easements.

B. A list specifically describing any assets of Seller used by it exclusively in the operation of the System and which are not a part of the Purchase Assets;

C. A schedule (including the best estimate of the dollar amounts) of the Operational Obligations as defined in Section 2.01;

D. A schedule of all leases, contracts, permits, approvals or any other property interest constituting a part of the Purchase Assets which Seller has determined, as of Effective Date, are not or may not be capable of being assigned, transferred or subleased as contemplated hereunder;

4.19 Rights-of-Way. Except as set forth in the Seller's Disclosure Schedule, to Seller's knowledge, Seller owns or possesses all rights-of-way necessary for the conduct of the business of the System, as now conducted, without any known conflict with the rights of others.

4.20 Enforceability. This Agreement constitutes a legal, valid and binding obligation of Seller, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization or similar laws of general applicability affecting creditors' rights and subject to principles of equity.

4.21 Material Facts. No representation or warranty by Seller in this Agreement or any statement or certificate furnished or to be furnished to Purchaser pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained therein not misleading.

4.22 Sufficiency of Purchase Assets. The Purchase Assets are used by Seller exclusively in the utility operations of the System; the Purchase Assets are sufficient for, and no other

assets, rights (contractual or otherwise) or governmental approvals of any kind owned or used by Seller are necessary to, the continued conduct of the Seller's utility operations.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER

5.01 Corporate Status. Purchaser is a public corporation, duly organized, validly existing and in good standing under the laws of the State of West Virginia, with full power and authority to own its properties and assets and to conduct its business, and is qualified and in good standing as a public service district in the State of West Virginia.

5.02 Authority. Subject to regulatory authorizations and approvals and consents and approvals of third parties, Purchaser has the corporate and legal power and authority to enter into and perform this Agreement, and the consummation of the transactions contemplated by this Agreement in accordance with its terms, and compliance with the terms and conditions hereof and the closing of the transactions contemplated hereby will not violate or conflict with any provision of Article 13A of Chapter 16 of the

West Virginia Code, or violate any law or result in the breach or termination of any provision of, or constitute a default under any indenture, agreement or other instrument to which Purchaser is a party or by which any of its properties and assets may be bound.

5.03 Corporate Authorization. Purchaser has taken all necessary legal and corporate actions to authorize and approve the execution, delivery and performance of this Agreement and all transactions contemplated hereby. The execution and delivery of this Agreement, and the performance of the transactions provided for herein have been duly authorized and approved by the board of Purchaser and other requisite corporate action on the part of the Purchaser.

5.04 Fees. Purchaser has not incurred any obligation or liability, contingent or otherwise, for broker's or finder's fees in connection with the purchase of the Purchase Assets provided for herein.

5.05 Enforceability. Upon approval by the Public Service Commission of West Virginia, this Agreement constitutes a legal, valid and binding obligation of Purchaser, enforceable in

accordance with its terms, except as limited by bankruptcy, insolvency, reorganization or similar laws of general applicability affecting creditors, rights and subject to principles of equity.

5.06 Material Facts. No representation or warranty by Purchaser in this Agreement or any statement or certificate furnished or to be furnished to Seller pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained therein not misleading.

ARTICLE VI

COVENANTS

6.01 Seller's Obligations. Seller covenants and agrees as follows:

A. Consents and Approvals. Seller shall (i) in a timely, accurate and complete manner take all necessary corporate and other action and use all reasonable efforts to obtain all consents, approvals, permits, licenses and amendments of

agreements required of it to carry out the transactions contemplated in this Agreement and (ii) provide to Purchaser such information within its knowledge as Purchaser may require to assist Seller and/or make such filings and prepare such applications as may be required for the consummation by Purchaser of the transactions contemplated by this Agreement.

B. Access to Properties and Records. Seller will afford to Purchaser and its authorized representatives at Purchaser's sole cost and expense, reasonable access from the date hereof until the Closing Date during normal business hours to the officers, employees, properties, and records of Seller relating to the System and will furnish to Purchaser or such representatives such additional financial and operating data and other information relating to the System as may be reasonably requested and available.

C. All Reasonable Efforts. Seller will use all reasonable efforts to obtain the satisfaction of the conditions to closing set forth in Article VIII hereof.

D. Business Operations. From the date of execution of this Agreement until the Closing Date, except to the extent

expressly permitted by this Agreement or otherwise consented to by an instrument in writing signed by Purchaser or as described in the Seller's Disclosure Schedule, Seller shall:

(i) Carry on the business of the System in the ordinary course, in substantially the same manner in which it is presently being conducted, and use all reasonable efforts to preserve the present business organization, and preserve its relationship with customers, suppliers and others having business relationships with the System;

(ii) Continue the existing practices relating to maintaining the Purchase Assets in reasonable or normal operating condition;

(iii) Not sell, lease or dispose of, or make any material contract for the sale, lease or disposition of, or subject to lien other than as specifically permitted hereunder, any material portion of the Purchase Assets other than in the ordinary course of business;

(iv) Reasonably inform and consult with Purchaser pertaining to the conduct of business in the ordinary course by Seller with respect to the System, which may substantially and

materially affect the operation of such business by Purchaser upon the transfer of the Purchase Assets as contemplated hereunder, including, but without limitation, the conduct or settlement of all proceedings before the PSC.

(v) To the extent within the control of Seller, refrain from doing any act or omitting to do any act which will cause a material breach of any material contract or material permit, authorization, certificate, license or order ("Material Permits") held by Seller with respect to the System or which would cause any of the representations and warranties of Seller contained herein not to be true and correct in any material respect if such representations and warranties were made immediately after such act or failure to act;

(vi) To the extent within the control of Seller, use reasonable efforts to maintain all Material Permits held by Seller with respect to the System;

(vii) Use reasonable efforts to comply in all material respects with all Legal Requirements applicable to the System;

(viii) Unless otherwise required by applicable Legal Requirements, maintain with respect to the System' books of account and records in the usual, regular and ordinary manner and consistent with past practices;

(ix) Except as required by applicable Legal Requirements, not enter into any material contract relating to the System other than in the ordinary course of business; and

(x) Not knowingly acknowledge the validity of any material claim asserted against Seller by a third party adverse to the interests of the System unless required by applicable Legal Requirements or unless the Seller determines (in the exercise of its sole, but reasonable judgment) either that to so acknowledge would be in the best interests of the System or that not to so acknowledge would realistically expose the Seller to claims for punitive or similar damages.

E. Material Change. If, at any time prior to Closing, Seller shall become aware of the occurrence of any adverse change in, or any event (other than one generally known to the public or to those in the water utility industry and other than general economic conditions) which is likely to have a material adverse

effect on the operations of the System, Seller shall promptly advise Purchaser of such change or event.

6.02 Purchaser's Obligations. Purchaser covenants and agrees as follows:

A. Consents and Approvals. Purchaser shall take all necessary corporate and other action and use all reasonable efforts to obtain all consents, approvals, permits, licenses and amendments of agreements required of it to carry out the transactions contemplated in this Agreement.

B. Governmental Approvals. Purchaser shall:

- (i) in a timely, accurate and complete manner make such filings with and prepare such applications to any governmental agency whose approval or consent is required for the consummation by Purchaser of the transactions contemplated by this Agreement, and

- (ii) provide to Seller such information within its knowledge as Seller may require to assist Purchaser and/or make such filings and prepare such applications as may be required for the consummation by Seller of the transactions contemplated by this Agreement.

C. All Reasonable Efforts. Purchaser will use all reasonable efforts to obtain the satisfaction of the conditions to closing set forth in Article VIII hereof.

6.03 Joint Obligations. Purchaser and Seller mutually covenant and agree with each other as follows:

A. Accounts Receivable. A list of all accounts receivable relating to the operations of the System after the write-off of uncollectible accounts will be prepared by the parties and delivered by the parties at the Closing. Such list shall set forth the name and the amount owed by each account debtor. No earlier than sixty (60) days and not later than ninety (90) days after the Closing, Purchaser shall cause any of such accounts, except for accounts paid on installment or plan pursuant to Rule 4.08 of the Rules and Regulations for the Government of Water Utilities of the Public Service Commission, which have not been collected, to be reassigned to Seller without recourse and Seller shall within five (5) business days thereafter remit to Purchaser a sum equal to the aggregate dollar amount of the accounts receivable so uncollected and reassigned provided, however, that in the event Purchaser shall have on such date collected an

aggregate amount of accounts receivable in excess of the aggregate amount of the accounts owing as reflected on such list, Purchaser shall concurrently with the reassignment of the uncollected accounts remit the amount of any such excess to Seller and Seller shall not have any obligation to make any remittance to Purchaser with respect to the uncollected accounts so reassigned.

ARTICLE VII

OTHER ACTIONS PENDING THE CLOSING

7.01 Reasonable Efforts; Regulatory Approvals. The parties agree to use reasonable efforts in good faith to accomplish the following prior to or simultaneously with the Closing hereunder; and the parties each agree to assist the other to that end by each furnishing the other with appropriate information, by joining with the other in applications to regulatory authorities and diligently prosecuting the same, and to cooperate one with the other in such other ways as may be reasonable and appropriate. Seller and Purchaser each agrees as to itself that it will undertake all reasonable efforts in good faith to

accomplish the satisfaction of and compliance with the conditions to Closing set forth in this Agreement and to consummate the transactions contemplated hereunder in a timely and prudent manner.

A. Authorities to Seller from the PSC. Seller will make (either separately or jointly with Purchaser) such application or applications to the PSC as may be necessary to authorize (i) the transfer of the Purchase Assets to Purchaser in accordance with the terms of this Agreement, and (ii) such other matters relating to this Agreement and the transactions contemplated hereby as may be required by law or as Seller may deem appropriate.

B. Authorities to Purchaser from the PSC. Purchaser will make such application or applications (which may include joint application with Seller) to the PSC as may be necessary to authorize (i) the ownership and operation of the Purchase Assets by Purchaser, including, if applicable, any certificate or certificates of public convenience, and (ii) such other matters relating to this Agreement and transactions contemplated hereby as may be required by law or as Purchaser may deem appropriate.

7.02 Third-Party Consents. Seller and Purchaser will each seek all respective approvals or consents of third parties necessary to effect the transfers by Seller to Purchaser and the consummation of the transaction provided for herein.

7.03 Unacceptable Conditions. In the event such authorizations related to this Agreement shall contain any condition or requirement that is unacceptable to Seller or Purchaser, in either Seller's or Purchaser's sole but reasonable judgment, then either Seller or Purchaser shall have the right, at its expense, to seek administrative or judicial rehearing or review of such unacceptable authorizations. Should either Seller or Purchaser elect to seek such administrative or judicial rehearing or review, then Purchaser and Seller will diligently pursue such rehearing or review and will cooperate with each other in connection with such rehearing or review. As provided in Section 12.01.B. and C., this Agreement may be terminated by either Seller or Purchaser if, following such review or rehearing, the Final Regulatory Order(s) (as hereinafter defined) contain any condition or requirement unacceptable to the Seller or Purchaser.

ARTICLE VIII

CONDITIONS PRECEDENT

8.01 Conditions Precedent to Obligations of Seller and Purchaser. The respective obligations of Seller and Purchaser under this Agreement to consummate the transactions contemplated hereby are subject to satisfaction of the following:

A. All final approvals, orders and authorizations, which shall no longer be subject to any appellate review ("Final Regulatory Order(s)") referred to in Sections 7.01A. and 7.01B. hereof, as may be required in connection with the transactions herein contemplated, shall have been duly obtained and shall not contain any condition or requirement unacceptable to either Seller or Purchaser;

B. The Final Regulatory Order(s) shall contain no condition or requirement unacceptable to either Seller or Purchaser.

8.02 Conditions Precedent to Obligations of Purchaser. In addition to the provisions of Section 8.01 above, the obligation of Purchaser under this Agreement to consummate the transactions contemplated hereby is subject to the satisfaction on or prior to

the Closing Date of the following conditions, any one or more of which may be waived in writing, in whole or in part, by Purchaser:

A. Accuracy of Representations and Warranties of Seller, Compliance With Covenants. The representations and warranties of Seller set forth in Article IV hereof shall be true and correct in all material respects as of the date when made and as of the Closing Date, as though made at that time, except to the extent necessary to reflect the consummation of the transactions provided for herein and as otherwise permitted hereby. Seller shall have performed or complied in all material respects with all covenants and conditions required by this Agreement to be performed by it prior to or on the Closing Date.

B. Consents and Approvals. Any and all orders, permits, licenses, qualifications, authorizations or approvals from governmental authorities and any and all material consents of third persons referred to in Article VII hereof required for the closing of the transactions contemplated by this Agreement shall have been obtained except as expressly otherwise provided herein. In such regard, any approvals required for the assignment and

transfer by Seller to Purchaser of all franchises of the System shall be deemed to be material consents.

C. Delivery of Documents. There shall have been delivered to Purchaser by Seller such documents as are described in Section 9.01 hereof and required thereunder to be delivered to Purchaser on the Closing Date.

8.03 Conditions Precedent to Obligations of Seller. In addition to the provisions of Section 8.01 above, the obligation of Seller under this Agreement to consummate the transactions contemplated hereby is subject to the satisfaction on or prior to the Closing Date of the following conditions, any one or more of which may be waived in writing, in whole or in part, by Seller:

A. Accuracy of Representations and Warranties, Compliance with Covenants. The representations and warranties of Purchaser set forth in Article V hereof shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time, except to the extent necessary to reflect the consummation of the transactions provided for herein and as otherwise permitted hereby. Purchaser shall have performed or complied in all material respects with all covenants

and conditions required by this Agreement to be performed by it prior to or on the Closing Date.

B. Consents and Approvals: Any and all orders, permits, licenses, qualifications, authorizations or approvals from governmental authorities and any and all material consents of third parties reference in Article VII hereof required for the closing of the transactions contemplated by this Agreement shall have been obtained, except as expressly otherwise provided herein.

C. Delivery of Documents. There shall have been delivered to Seller by Purchaser such documents as are described in Section 9.02 hereof and required thereunder to be delivered to Seller on the Closing Date, which documents shall be reasonably satisfactory to James W. Withrow, counsel for Seller.

ARTICLE IX

DOCUMENTS TO BE DELIVERED AT THE CLOSING

9.01 By Seller. Seller agrees to deliver to Purchaser on the Closing Date the following:

A. Bills of Sale, Deeds, Assignments and Transfers. Good and sufficient bills of sale, general warranty deeds, assignments and such other instruments of transfer as shall be necessary to assign and transfer to and vest title to the Purchase Assets in Purchaser, free of all liens and encumbrances all as described in Section 4.07.

B. Consents to Assignments. All material consents of third parties which are necessary to effect the transfer by Seller of the Purchase Assets and to consummate effectively the transactions contemplated by this Agreement, in form and substance reasonably satisfactory to counsel for Purchaser, unless waived in writing by Purchaser and except as otherwise provided herein.

C. Officer's Certificate. Certificate of the Chairman of the Seller, dated the Closing Date, certifying that the conditions precedent set forth in Section 8.02.A. hereof have been fulfilled.

D. Certificate of Secretarial Officer. Certificate of the Secretary of Seller dated the Closing Date with respect to the

incumbency of corporate officers and their signatures, corporate standing, and the corporate resolutions contemplated hereby.

E. Other Documents. Such other documents as shall be reasonably required by Purchaser and its counsel.

9.02 By Purchaser. Purchaser agrees to deliver to Seller on the Closing Date the following:

A. Payment of Purchase Price. The payment of Purchase Price, as provided in Section 3.01.B hereof.

B. Officer's Certificate. Certificate of the Chairman of Purchaser dated the Closing Date certifying that the conditions precedent set forth in Section 8.03.A hereof have been fulfilled.

C. Certificate of Secretarial Officer. Certificate of the Secretary dated the Closing Date with respect to the incumbency of corporate officers and their signatures, corporate standing, and the corporate resolutions contemplated hereby.

ARTICLE X

THE CLOSING

10.01 **Closing**. The closing of the purchase and sale provided for hereunder (the "Closing") shall take place following the satisfaction of the conditions precedent set out in Article VIII at such time and place as shall be mutually agreed to by the parties. The date on which the Closing takes place is referred to herein as the "Closing Date".

ARTICLE XI

INDEMNIFICATION

11.01 Indemnification.

A. Purchaser shall indemnify and hold harmless Seller from and against any costs and damages sustained by Seller as a result of any material inaccuracy of any representation or any breach of any covenant, warranty, or agreement with respect to which Purchaser is liable after the Closing.

B. Seller shall indemnify and hold harmless Purchaser from and against any costs and damages sustained by Purchaser as a result of any material inaccuracy of any representation or any breach of any covenant, warranty, or agreement with respect to which Seller is liable after the Closing.

ARTICLE XII

TERMINATION

12.01 Termination. This Agreement is subject to termination upon the following conditions:

A. Adverse Government/Regulatory Action. This Agreement shall terminate and be of no further force and effect in the event of (i) the entry of a Final Regulatory Order(s) of the PSC disapproving or denying any application or request for approval or authorization described in Section 7.01.A or Section 7.01.B hereof, filed or made by or on behalf of the parties hereto in connection with the transfer, assignment and conveyance contemplated hereunder of the Purchase Assets, or any material part thereof; (ii) independent actions by third parties which render performance of this Agreement illegal or impossible in any fundamental respect; the actions by third parties described in this clause (ii) include but are not limited to legislative, executive or other governmental actions; or (iii) mutual agreement of the boards of directors and commissioners of Seller and Purchaser.

B. Termination by Seller. This Agreement may be terminated by Seller, at its option, in the following circumstances:

(i) If Purchaser fails to perform any material condition or term of this Agreement required to be performed by it prior to or at the Closing and such failure shall not be waived in writing

by Seller or shall not have been cured to the satisfaction of Seller within the period of time, if any, provided by Seller for the cure thereof; and,

(ii) If the Final Regulatory Orders shall contain any condition or requirement unacceptable to Seller.

C. Termination by Purchaser. This Agreement may be terminated by Purchaser, at its option, in the following circumstances:

(i) If Seller fails to perform any material condition or term of this Agreement required to be performed by it prior to or at the Closing and such failure shall not be waived in writing by the Purchaser or shall not have been cured to the satisfaction of Purchaser within the period of time, if any, provided by Purchaser for the cure thereof;

(ii) If the Final Regulatory Orders shall contain any condition or requirement unacceptable to Purchaser; and

(iii) If any nonassignable contract or any nonassignable government licenses, permits and approvals identified under Section 1.01.B, either individually or in the aggregate,

materially threaten the successful economic or practical operation of the business of the System by Purchaser.

D. Liability on Termination. In the event of the termination of this Agreement pursuant to the terms and provisions hereof, no party hereto will have any liability hereunder of any nature whatever to any other party hereto including any liability for damages.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.01 Determination of Regulatory Proceedings, Etc. In the event of an adverse or unfavorable determination by any governmental regulatory authority relating to any of the transactions contemplated under this Agreement, or should any of the transactions hereunder be challenged or opposed by any administrative or legal proceedings, the determination of whether and to what extent to seek appeal or review, administrative or otherwise, or to contest such challenge or opposition or other appropriate remedies shall be made by mutual agreement of the

parties hereto, and in the absence of such agreement, by the party making the application.

13.02 Waiver. Any terms or provisions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits thereof. The failure of either party at any time or times to require performance of any provision hereof shall in no manner affect such party's right at a later time to enforce the same. No waiver by any party of a condition or of the breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, covenant, representation or warranty of this Agreement.

13.03 Notices. All notices, requests, demands or other communications required, permitted or desired to be given hereunder shall be deemed to have been duly given if delivered in writing by hand delivery or mailed by certified mail and shall be addressed as follows:

IF TO SELLER:

AUBREY COOK
CHAIRMAN
KANAWHA ORCHARD PUBLIC SERVICE DISTRICT

IF TO PURCHASER:

CALVIN HATFIELD
CHAIRMAN
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
POST OFFICE BOX 147
SCOTT DEPOT, WEST VIRGINIA 25560

WITH A COPY TO:

ROBERT R. RODECKER, ESQUIRE
McDONALD & RODECKER
POST OFFICE BOX 2151
CHARLESTON, WEST VIRGINIA 25328

13.04 Further Assurances. Each of the parties hereto hereby agrees that after the Closing Date, it will from time to time, upon request of the other party hereto, take or cause to be taken by other parties (including without limitation their respective independent auditors) such further action as the other may reasonably request to carry out the transfers of assets, assumption of liabilities and other transactions contemplated by this Agreement including assistance that may be needed by either

of them in connection with the preparation of financial statements, regulatory findings and other similar requirements.

13.05 Expenses. Each of the parties hereto shall pay all costs and expenses incurred or to be incurred by it in connection with the negotiations respecting this Agreement and the transactions contemplated hereunder, including preparation of documents, obtaining any necessary regulatory approvals and the consummation of the other transactions contemplated hereby.

13.06 Passage of Title and Risk of Loss. Legal title, equitable title and risk of loss with respect to the Purchase Assets will not pass to Purchaser until such Purchase Assets are transferred to Purchaser at the Closing.

13.07 Ad Valorem and Similar Taxes. Ad valorem, property and similar taxes and assessments, based upon or measured by the value of the Purchase Assets payable in the fiscal year (July 1 to June 30) in which the Closing occurs, shall be divided or prorated on a calendar year basis as of the Effective Date between Seller and the Purchaser. In this regard, Seller shall assume responsibility for any applicable taxes attributable to the period of time prior to the Closing and Purchaser as a public

corporation shall have no responsibility for the period of time thereafter.

13.08 Parties in Interest. Except as otherwise provided herein, nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligations or liability of any third person or give any third person any right of subrogation or action over or against party to this Agreement.

13.09 Basis of Preparation. All financial data prepared pursuant hereto or included herein shall be prepared in accordance with generally accepted accounting principles consistently applied by the Seller.

13.10 Execution and Counterparts. This Agreement may be executed in any number of counterparts, each and all of which shall be deemed for all purposes to be one agreement.

13.11 Benefit of Agreement. This Agreement is binding upon and shall inure to the benefit of Seller and Purchaser, their respective successors and assigns, provided, however, that this

Agreement or any part thereof, is not assignable, directly or indirectly, without the prior written consent of the other party.

13.12 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the transactions contemplated herein.

13.13 Amendments. At any time prior to the Closing Date, this Agreement may be amended or modified in any respect by any agreement in writing duly executed in the same manner as this Agreement by the authorized officers of the parties.

13.14 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of West Virginia.

13.15 Headings. The headings and captions in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

13.16 U.S. Dollars. All references herein to monetary amounts shall be deemed to refer to U.S. Dollars.

13.17 Singular and Plural. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular and the singular includes the plural.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

KANAWHA ORCHARD PUBLIC SERVICE DISTRICT,
a public corporation,

BY


Its Chairman

Date: 6-15-99

SOUTH PUTNAM PUBLIC SERVICE
DISTRICT, a public corporation,

BY


Its Chairman

June 15, 1999
Date: ~~December 17, 1992~~

STATE OF WEST VIRGINIA
COUNTY OF PUTNAM, TO-WIT:

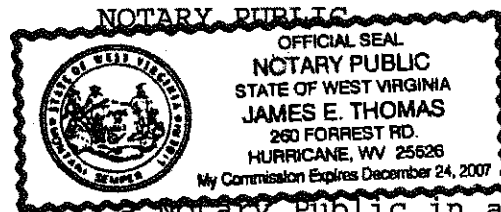
I, JAMES E. Thomas, a Notary Public in and for
the County and State aforesaid, do hereby certify that ^{Roger K.}~~Aubrey~~
^{Randolph}~~Cook~~, Chairman of Kanawha Orchard Public Service District, whose
name is signed to the foregoing and hereto annex Agreement,
bearing date the ^{15th}~~17th~~ day of ^{June, 1999}~~December, 1992~~, as Chairman of
Kanawha Orchard Public Service District, acknowledges the same
before me in my said County to be the act and deed of said
political subdivision.

Given under my hand this ^{15th}~~17th~~ day of ^{June, 1999}~~December, 1992~~.

My commission expires December 24, 2007.

James E. Thomas

STATE OF WEST VIRGINIA
COUNTY OF PUTNAM, TO-WIT:



I, James E. Thomas, a Notary Public in and for
the County and State aforesaid, do hereby certify that ^{Carl S. Coffman, II}~~Calvin~~
Hatfield, Chairman of South Putnam Public Service District, whose
name is signed to the foregoing and hereto annex Agreement,
bearing date the ^{15th}~~17th~~ day of ^{June, 1999}~~December, 1992~~, as Chairman of the
South Putnam Public Service District, acknowledges the same

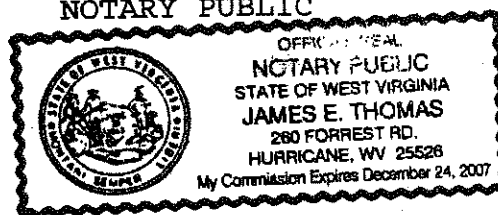
before me in my said County to be the act and deed of said
political subdivision.

Given under my hand this ^{15th} ~~17th~~ day of ^{June} ~~December~~, ¹⁹⁹⁹ ~~1992~~.

My commission expires December 24, 2007.

James E Thomas

NOTARY PUBLIC



EXHIBITS TO PURCHASE AND SALE AGREEMENT

EXHIBIT A - General Warranty Deed from Kanawha Orchard to South Putnam transferring all real properties, except leasehold estates and easements, comprising part of the Purchase Assets.

EXHIBIT B - Deed and Assignment (Leases) transferring Kanawha Orchard's interests in easements for distribution facilities used in the System shall to South Putnam.

EXHIBIT C - Deed and Assignment (Leases) transferring Kanawha Orchard's **interest as lessee** in leasehold estates comprising part of the Purchase Assets to South Putnam.

EXHIBIT D - Deed and Assignment (Leases) transferring Kanawha Orchard's **interest as lessor** in leases of properties comprising part of the Purchase Assets to South Putnam.

EXHIBIT E - Bill of Sale transferring all tangible personal property of Kanawha Orchard comprising part of the Purchase Assets to South Putnam.

EXHIBIT F - Assignment Agreement (Intangibles) transferring Kanawha Orchard's intangible personal property comprising part of the Purchase Assets to South Putnam

KANAWHA ORCHARD PUBLIC SERVICE DISTRICT

Sale of Assets to South Putnam Public Service District

CONFIRMATORY RESOLUTION

WHEREAS, the Public Service Board (the "Board") of Kanawha Orchard Public Service District (the "District"), has duly and officially adopted a resolution, effective April 16, 1992 (the "Resolution"), approving the sale of all assets of the District to South Putnam Public Service District ("South Putnam"), and the execution of all documents related to such sale;

WHEREAS, the Board has previously entered into an asset purchase agreement whereby it agreed to sell the assets of the District to South Putnam;

WHEREAS, the aforementioned sale of assets has been approved by the Public Service Commission of West Virginia; and

WHEREAS, the Board now deems it desirable to confirm and ratify the sale of the assets of the District to South Putnam and the execution of all documents and the taking of all actions necessary to complete said sale.

NOW THEREFORE, the Board hereby resolves as follows:

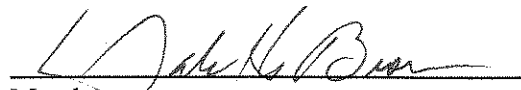
1. All assets of the District are to be sold to South Putnam pursuant to the terms of the Asset Purchase Agreement previously executed by the parties.
2. All actions taken by all parties to this transaction are hereby ratified, confirmed and approved.
3. The officers of the Board are hereby authorized to execute any and all documents and take all necessary actions to complete the aforementioned sale of assets.

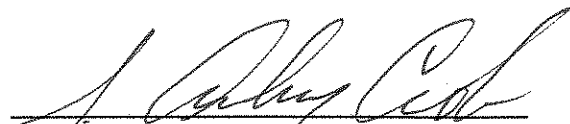
4. This Confirmatory Resolution shall be effective immediately following adoption hereof.

Adopted this 15th day of June, 1999.

KANAWHA ORCHARD PUBLIC
SERVICE DISTRICT


Chairman


Member


Member

CERTIFICATION

Certified a true copy of a Confirmatory Resolution duly adopted by the Public Service Board of KANAWHA ORCHARD PUBLIC SERVICE DISTRICT on the 15th day of June, 1999.

Dated: June 16, 1999.

[SEAL]


Secretary

06/15/99
847280/98003

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

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

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

Putnam County Bank, a state banking corporation, in Hurricane, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of South Putnam Public Service District (the "Issuer"), adopted June 15, 1999, and a Supplemental Resolution of the Issuer adopted June 15, 1999 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 1999 A and Series 1999 B (West Virginia Water Development Authority), both dated June 16, 1999, in the respective principal amounts of \$6,440,000 and \$5,425,000 (collectively, the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature this 16th day of June, 1999.

PUTNAM COUNTY BANK



Its President

06/14/99
847280/98003

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

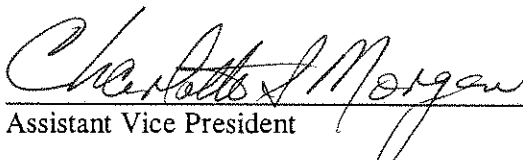
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

ACCEPTANCE OF DUTIES AS REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association, in Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the South Putnam Public Service District Water Revenue Bonds, Series 1999 A and Series 1999 B (West Virginia Water Development Authority), each dated June 16, 1999, in the respective principal amounts of \$6,440,000 and \$5,425,000 (collectively, the "Bonds"), and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 16th day of June, 1999.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

06/12/99
847280/98003

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SOUTH PUTNAM PUBLIC SERVICE DISTRICT

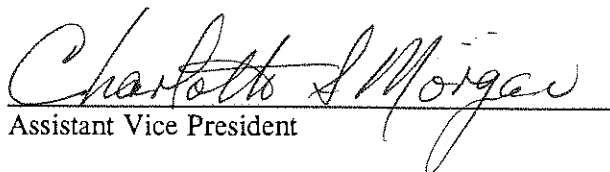
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

CERTIFICATE OF REGISTRATION OF SERIES 1999 A
AND SERIES 1999 B BONDS

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association, in Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned bonds of South Putnam Public Service District (the "Issuer"), hereby certifies that on the day hereof, the single, fully registered South Putnam Public Service District Water Revenue Bond, Series 1999 A (West Virginia Water Development Authority), of the Issuer, dated June 16, 1999, in the principal amount of \$6,440,000, numbered AR-1 and the single, fully registered South Putnam Public Service District Water Revenue Bond, Series 1999 B (West Virginia Water Development Authority), in the principal amount of \$5,425,000, numbered BR-1, were registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of One Valley Bank, National Association, as Registrar.

WITNESS my signature on this 16th day of June, 1999.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

06/14/99
847280/98003

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 16th day of June, 1999, by and between SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$6,440,000 Water Revenue Bonds, Series 1999 A (West Virginia Water Development Authority) and \$5,425,000 Water Revenue Bonds, Series 1999 B (West Virginia Water Development Authority), both in fully registered form (collectively, the "Bonds"), pursuant to a Bond Resolution of the Issuer adopted June 15, 1999, and a Supplemental Resolution of the Issuer adopted June 15, 1999 (collectively, the "Bond Legislation");

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 Bond Legislation, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation 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 Issuer 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 Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from

gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

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

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

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

6. The Issuer 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 Bond Legislation 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 addresses:

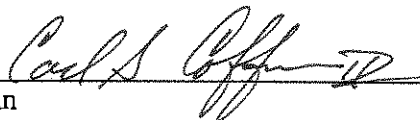
ISSUER:	South Putnam Public Service District
	P.O. Box 147
	Scott Depot, West Virginia 25560
	Attention: Chairman

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

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

IN WITNESS WHEREOF, SOUTH PUTNAM 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 written above.

SOUTH PUTNAM PUBLIC SERVICE
DISTRICT


Chairman

ONE VALLEY BANK, NATIONAL
ASSOCIATION

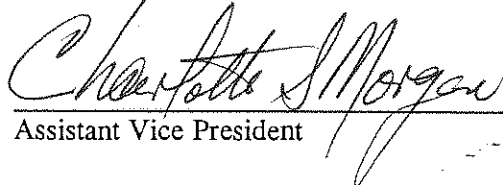

Assistant Vice President

EXHIBIT A

Bond Legislation included in transcript as Documents No. 1 and 2

SCHEDULE OF COMPENSATION

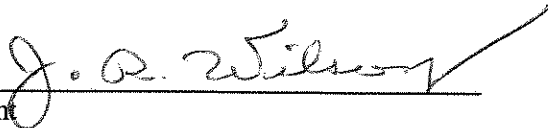
June 16, 1999

South Putnam Public Service District
Water Revenue Bonds, Series 1999 A and Series 1999 B
(West Virginia Water Development Authority)

TO WHOM IT MAY CONCERN:

The undersigned PRESIDENT of the Putnam County Bank, the present holder of the Series 1997 Note, as hereinafter defined, (i) hereby consents to the issuance of the Water Revenue Bonds, Series 1999 A and Series 1999 B (the "Series 1999 Bonds"), by South Putnam Public Service District (the "Issuer"), in the original aggregate principal amount of \$6,440,000 and \$5,425,000, respectively, under the terms of the resolution authorizing the Series 1999 Bonds (the "Series 1999 Resolution"), senior and prior, as to liens, pledge and source of and security for payment, and in all respects, the Issuer's Water System Note, Series 1997, dated October 30, 1997, issued in the original aggregate principal amount of not to exceed \$250,000 (the "Series 1997 Note"); (ii) hereby waives any requirements imposed by the Series 1997 Note and the resolutions authorizing the Series 1997 Note, if any (the "Prior Resolution"), regarding the issuance of senior bonds which are not met by the Series 1999 Bonds; and (iii) hereby consents to any amendments made to the Prior Resolution and other documents related to the Series 1997 Note, if any, by the Series 1999 Resolution.

PUTNAM COUNTY BANK



President

06/14/99
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