

PUTNAM UNION PUBLIC SERVICE DISTRICT

\$350,000 Water Revenue Bonds, Series 1997 A

Closing Date: March 7, 1997

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").

PUTNAM-UNION PUBLIC SERVICE DISTRICT
(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 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;

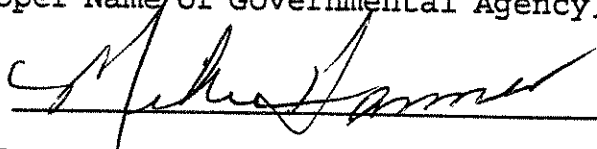
(ii) termination by the Authority pursuant to Section 6.3 hereof; or

(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.

Putnam-Union Public Service District
[Proper Name of Governmental Agency]

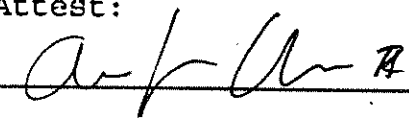
(SEAL)

By: 

Its: Chairman

Attest:

Date: March 7, 1997


Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: 

Director

Attest:

Date: March 7, 1997

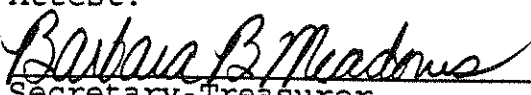

Secretary-Treasurer

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 \$ 350,000.00
Purchase Price of Local Bonds \$ 350,000.00

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semiannual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 6.25 % 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:

*SEE BELOW

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:

*Rural Utilities Service - Water Revenue Bonds, Series 1983, issued in the original principal amount of \$329,000 on July 22, 1983;

Rural Utilities Service - Water Revenue Bonds, Series 1986, issued in the original principal amount of \$234,000 on July 10, 1986; and

Rural Utilities Service - Water Revenue Bonds, Series 1993, issued in the original principal amount of \$503,000 on April 27, 1993.

1995 SERIES B LOAN PROGRAM
West Virginia Water Development Authority
Putnam Union PSD
Debt Service Schedule
Closing March 7, 1997
Total Amount Borrowed: \$350,000

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
10/1/97	6.25%	1,323.48	12,395.83	13,719.31	13,719.31
4/1/98	6.25%	-	10,896.14	10,896.14	
10/1/98	6.25%	2,418.27	10,896.14	13,314.41	24,210.55
4/1/99	6.25%	-	10,820.57	10,820.57	
10/1/99	6.25%	2,569.41	10,820.57	13,389.98	24,210.55
4/1/00	6.25%	-	10,740.28	10,740.28	
10/1/00	6.25%	2,730.00	10,740.28	13,470.28	24,210.56
4/1/01	6.25%	-	10,654.96	10,654.96	
10/1/01	6.25%	2,900.63	10,654.96	13,555.59	24,210.55
4/1/02	6.25%	-	10,564.32	10,564.32	
10/1/02	6.25%	3,081.92	10,564.32	13,646.24	24,210.56
4/1/03	6.25%	-	10,468.01	10,468.01	
10/1/03	6.25%	3,274.54	10,468.01	13,742.55	24,210.56
4/1/04	6.25%	-	10,365.68	10,365.68	
10/1/04	6.25%	3,479.20	10,365.68	13,844.88	24,210.56
4/1/05	6.25%	-	10,256.95	10,256.95	
10/1/05	6.25%	3,696.64	10,256.95	13,953.59	24,210.54
4/1/06	6.25%	-	10,141.43	10,141.43	
10/1/06	6.25%	3,927.68	10,141.43	14,069.11	24,210.54
4/1/07	6.25%	-	10,018.69	10,018.69	
10/1/07	6.25%	4,173.16	10,018.69	14,191.85	24,210.54
4/1/08	6.25%	-	9,888.28	9,888.28	
10/1/08	6.25%	4,433.99	9,888.28	14,322.27	24,210.55
4/1/09	6.25%	-	9,749.72	9,749.72	
10/1/09	6.25%	4,711.11	9,749.72	14,460.83	24,210.55
4/1/10	6.25%	-	9,602.50	9,602.50	
10/1/10	6.25%	5,005.56	9,602.50	14,608.06	24,210.56
4/1/11	6.25%	-	9,446.08	9,446.08	
10/1/11	6.25%	5,318.40	9,446.08	14,764.48	24,210.56
4/1/12	6.25%	-	9,279.88	9,279.88	
10/1/12	6.25%	5,650.80	9,279.88	14,930.68	24,210.56
4/1/13	6.25%	-	9,103.29	9,103.29	
10/1/13	6.25%	6,003.98	9,103.29	15,107.27	24,210.56
4/1/14	6.25%	-	8,915.66	8,915.66	
10/1/14	6.25%	6,379.23	8,915.66	15,294.89	24,210.55
4/1/15	6.25%	-	8,716.31	8,716.31	
10/1/15	6.25%	6,777.93	8,716.31	15,494.24	24,210.55
4/1/16	6.25%	-	8,504.50	8,504.50	
10/1/16	6.25%	7,201.55	8,504.50	15,706.05	24,210.55
4/1/17	6.25%	-	8,279.45	8,279.45	
10/1/17	6.25%	7,651.65	8,279.45	15,931.10	24,210.55

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
4/1/18	6.25%	-	8,040.34	8,040.34	
10/1/18	6.25%	8,129.87	8,040.34	16,170.21	24,210.55
4/1/19	6.25%	-	7,786.28	7,786.28	
10/1/19	6.25%	8,637.99	7,786.28	16,424.27	24,210.55
4/1/20	6.25%	-	7,516.34	7,516.34	
10/1/20	6.25%	9,177.87	7,516.34	16,694.21	24,210.55
4/1/21	6.25%	-	7,229.54	7,229.54	
10/1/21	6.25%	9,751.48	7,229.54	16,981.02	24,210.56
4/1/22	6.25%	-	6,924.80	6,924.80	
10/1/22	6.25%	10,360.95	6,924.80	17,285.75	24,210.55
4/1/23	6.25%	-	6,601.02	6,601.02	
10/1/23	6.25%	11,008.51	6,601.02	17,609.53	24,210.55
4/1/24	6.25%	-	6,257.01	6,257.01	
10/1/24	6.25%	11,696.54	6,257.01	17,953.55	24,210.56
4/1/25	6.25%	-	5,891.49	5,891.49	
10/1/25	6.25%	12,427.58	5,891.49	18,319.07	24,210.56
4/1/26	6.25%	-	5,503.13	5,503.13	
10/1/26	6.25%	13,204.30	5,503.13	18,707.43	24,210.56
4/1/27	6.25%	-	5,090.49	5,090.49	
10/1/27	6.25%	14,029.57	5,090.49	19,120.06	24,210.55
4/1/28	6.25%	-	4,652.07	4,652.07	
10/1/28	6.25%	14,906.42	4,652.07	19,558.49	24,210.56
4/1/29	6.25%	-	4,186.24	4,186.24	
10/1/29	6.25%	15,838.07	4,186.24	20,024.31	24,210.55
4/1/30	6.25%	-	3,691.30	3,691.30	
10/1/30	6.25%	16,827.94	3,691.30	20,519.24	24,210.54
4/1/31	6.25%	-	3,165.43	3,165.43	
10/1/31	6.25%	17,879.69	3,165.43	21,045.12	24,210.55
4/1/32	6.25%	-	2,606.69	2,606.69	
10/1/32	6.25%	18,997.17	2,606.69	21,603.86	24,210.55
4/1/33	6.25%	-	2,013.03	2,013.03	
10/1/33	6.25%	20,184.49	2,013.03	22,197.52	24,210.55
4/1/34	6.25%	-	1,382.26	1,382.26	
10/1/34	6.25%	21,446.03	1,382.26	22,828.29	24,210.55
4/1/35	6.25%	-	712.08	712.08	
10/1/35	6.25%	22,786.40	712.08	23,498.48	24,210.56
		350,000.00	583,720.31	933,720.31	933,720.31

Average Coupon	6.249999%
TIC =	6.249420%
NIC =	6.249999%
Arbitrage Yield =	6.249420%
WAM =	26.684

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.

PUTNAM UNION PUBLIC SERVICE DISTRICT

POST OFFICE BOX 89
BANCROFT, WV 25011
Office: (304) 586-3345
FAX: (304) 586-1249

Regular Meeting
January 9, 1997

Minutes

Members Present: Arthur Chestnut, Butch Morgan, Mike Hanna
Staff Present : Carolyn Hanson
Guests Present : See Attached List

The meeting was called to order by Chairman Hanna at 6:30 p.m. at the Rt 34 Fire Department in Red House.

A motion was made by Arthur Chestnut to accept the minutes of the previous meeting as read. It was second by Phillip Morgan and approved.

A motion was made by Mike Hanna to pay all bills as presented. It was seconded by Phillip Morgan and approved. Copies of these invoices will be attached to the minutes of the meeting.

A motion was made by Arthur Chestnut for Mike Hanna to remain Chairman and Phillip Morgan seconded.

A motion was made by Mike Hanna for Arthur Chestnut to remain Secretary seconded by Phillip Morgan.

A motion was made by Arthur Chestnut seconded by Mike Hanna for Phillip Morgan to remain Treasurer.

Arthur Chestnut motion that the meeting remain on the 2nd Thursday of month Mike Hanna Seconded.

Mr Rodecker discussed letter.

A motion was made by Arthur Chestnut and seconded by Phillip Morgan for a resolution by the board to allow Chairman Mike Hanna to sign the interim financing documents from One Valley Bank with West Virginia American Water Company as the guarantor of the loan.

**\$350,000 PUTNAM UNION PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1997 A**

BOND AND LINE OF CREDIT RESOLUTION

\$350,000 PUTNAM UNION PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1997 A

BOND AND LINE OF CREDIT RESOLUTION

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BOND AND LINE OF CREDIT RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER DISTRIBUTION SYSTEM OF PUTNAM UNION PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$350,000 IN AGGREGATE PRINCIPAL AMOUNT OF PUTNAM UNION PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 A; AUTHORIZING A LINE OF CREDIT NOT TO EXCEED \$350,000; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

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

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

"Construction Trust Fund" means the Series 1997 A Bonds Construction Trust Fund established by Section 5.01.

"Consulting Engineers" means Dunn Engineers, Inc., Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of water distribution systems or facilities that shall at

any time hereafter be retained by the Issuer as Consulting Engineers for the System and which engineer or engineering firm shall meet the Program requirements.

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

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

"Depository Bank" means City National Bank, a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined and any successor thereto.

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

(A) The excess of

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

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

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

"Depreciation Reserve Fund" means the Depreciation Reserve Fund established by Section 5.01.

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

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

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

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

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

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

"Grant" or "Grants" means the SCBG and the Other Grants.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Line of Credit" means the irrevocable line of credit in an amount not to exceed \$350,000 authorized by Section 4.01 hereof, the terms and amount of which may be approved by a resolution supplemental hereto.

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

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

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

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

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

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

"Notes" or "Credit Line Note" means the interim construction financing in an amount to be approved in a resolution supplemental hereto, consisting of grant anticipation notes or a Line of Credit evidenced by notes, or any combination of the foregoing, as authorized by Article IV hereof and, unless the context clearly indicates otherwise, the term "Notes" includes any refunding grant anticipation notes of the Issuer.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and

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

"Operation and Maintenance Agreement" means the agreement between the Issuer and the West Virginia American Water Company ("WVAWC"), attached hereto as Exhibit C and incorporated herein by reference.

"Other Grants" means the grant from the West Virginia American Water Company in the amount of \$450,000 and any other grants received for the Project.

"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 cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

"Paying Agent" means the West Virginia Municipal Bond Commission.

"Prior Bonds" means the Issuer's Water Revenue Bonds, Series 1983 dated July 22, 1983, issued in the original aggregate amount of \$329,000, the Issuer's Water Revenue Bonds, Series 1986 dated July 10, 1986, issued in the original aggregate amount of \$234,000 and the Issuer's Water Revenue Bond, Series 1993 dated April 27, 1993, issued in the original aggregate amount of \$503,000.

"Prior Resolutions" means collectively, the Series 1983 Resolution, the Series 1986 Resolution and the Series 1993 Resolution, as hereinafter defined.

"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 revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of sewer development revenue bonds issued by the Authority or any successor to said program as currently constituted.

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

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

"PSC Order" means the Final Order of the PSC in Case No. 96-0191-PWD-CN dated September 25, 1996.

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

"SCBG" means the Small Cities Block Grant.

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

"Series 1983 Resolution" means the Resolution adopted July 22, 1983 authorizing the issuance of the Water Revenue Bond, Series 1983.

"Series 1986 Resolution" means the Resolution adopted on July 10, 1986 authorizing the issuance of the Water Revenue Bonds, Series 1986.

"Series 1993 Resolution" means the Resolution adopted on April 8, 1993 authorizing the issuance of the Water Revenue Bonds, Series 1993.

"Series 1997 A Bonds" means the not more than \$350,000 in aggregate principal amount of Putnam Union Public Service District Water Revenue Bonds, Series 1997 A, of the Issuer originally authorized hereby.

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

"Series 1997 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 1997 A Bonds in the then current or any succeeding year.

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

"Series 1997 A Special Reserve Fund" means the Series 1997 A Bonds Special Reserve Account established by Section 5.02(1)(a).

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including but not limited to the Depreciation Reserve Fund, the Reserve Account and Sinking Fund, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

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

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

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

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

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

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

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

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

B. The Issuer presently owns and operates a public water system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain extensions and improvements to the System of the Issuer, consisting of the Project under the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer. The Issuer has entered into an Operation and Maintenance Agreement with West Virginia American Water Company, as approved by the PSC.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the

operation and maintenance of the System, the principal of and interest on the Prior Bonds and the Series 1997 A Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order and the interest on any outstanding advances of principal of the Note, reflected on the Record of Advances and Payments attached thereto, and reserve payments provided therefor.

E. The estimated maximum cost of the construction and acquisition of the Project is \$1,350,000, of which approximately \$350,000 will be permanently obtained from the Bonds herein authorized and approximately \$550,000 will be obtained from the SCBG and \$450,000 will be obtained from the Other Grants. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Cost of Project.

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

<u>Designation</u>	<u>Lien Position</u>
Water Revenue Bonds, Series 1983, dated July 10, 1983, issued in the original aggregate principal amount of \$329,000 (the "Series 1983 Bonds")	First Lien
Water Revenue Bonds, Series 1986, dated July 10, 1986, issued in the original aggregate principal amount of \$234,000 (the "Series 1986 Bonds")	First Lien
Water Revenue Bonds, Series 1993, dated April 27, 1993, issued in the original aggregate principal amount of \$503,000 (the "Series 1993 Bonds")	First Lien

The Series 1983 Bonds, the Series 1986 Bonds and the Series 1993 Bonds are hereinafter collectively called the "Prior Bonds."

The Series 1997 Bonds shall be issued on a parity with the Prior Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the resolutions authorizing the Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. The Issuer has received the written consent of United States Department of Agriculture, Rural Utilities Service ("RUS") (formerly Farmers Home Administration), as owner of the Prior Bonds for the issuance of the Bonds. Other

than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. It is deemed necessary for the Issuer to issue its revenue bonds, being the Putnam Union Public Service District Water Revenue Bonds, Series 1997 A in the aggregate principal amount of not more than \$350,000 to permanently finance the cost of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; amounts which may be deposited in the Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues and for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness, incurred by the Issuer for such purposes shall be deemed Costs of the Project.

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

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

J. It is in the best interests of the Issuer to complete the acquisition and construction of the Project as authorized by this Resolution which Project will be permanently financed by water revenue bonds issued pursuant to the Program as provided in this Resolution. The Program bond proceeds are advanced to the Issuer as costs are incurred, however, the time between the receipt of the construction invoices and the receipt of the Program moneys may exceed the payment requirements under the construction contracts. The Issuer hereby finds and determines that an interim financing source is essential to the orderly completion of the Project.

K. The Issuer will not permit, at any time, any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code.

L. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Series 1997 A Bonds and Note, or will have so complied prior to issuance of any Series 1997 A Bonds and Note, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which expired or the rights of all parties to

appeal have been waived. The Issuer has received approval from the West Virginia Infrastructure Jobs and Development Council.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of any and all of such Bonds of like series.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project.
There is hereby authorized the construction and acquisition of the Project in accordance with the plans and specifications which have been prepared by the Consulting Engineers and heretofore filed in the office of the Issuer. The proceeds of the Series 1997 A Bonds hereby authorized shall be applied as provided in Article VI hereof.

The District has received acceptable bids for the acquisition and construction of the Project consistent with the Application.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of paying the costs of the Project, funding a reserve account for the Series 1997 A Bonds, capitalizing interest on the Series 1997 A Bonds, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer. Said Bonds shall be issued in one series, to be designated "Putnam Union Public Service District Water Revenue Bonds, Series 1997 A," in the aggregate principal amount of not more than \$350,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Construction Trust Fund established by Section 5.01 hereof.

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

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

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

Section 3.03. Additional Terms of Series 1997 A Bonds. In addition to the terms set forth in Sections 3.01 and 3.02 hereof and in anticipation of the sale of the Series 1997 A Bonds to the Authority, the Issuer covenants that the Series 1997 A Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority authorizing the issuance of Series 1997 A Bonds pursuant to the Program.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairperson, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form 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 such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

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

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No Holder or Holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

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

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

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PUTNAM UNION PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1997 A

No. R-1

\$350,000

KNOW ALL MEN BY THESE PRESENTS: That PUTNAM UNION 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 Three Hundred Fifty Thousand Dollars (\$350,000) in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 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 City National Bank, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority dated March 7, 1997.

This Bond is one of a series of Bonds (the "Bonds") issued in the original principal amount of \$350,000 (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing waterworks system of the Issuer (the "Project"); (ii) to pay interest on the Bonds during the construction of the Project and for not more than six months thereafter; (iii) to fund a reserve account for the Bonds; and (iv) to pay

certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution duly adopted by the Issuer on March 5, 1997, and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT AND SECURITY FROM THE NET REVENUES (AS DEFINED IN THE RESOLUTION) WITH THE PUTNAM UNION PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1983 ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$329,000, THE WATER REVENUE BONDS, SERIES 1986 ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$234,000 AND THE WATER REVENUE BONDS, SERIES 1993, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$503,000 (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the lien of the Prior Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1997 A Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside in a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 A Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Series 1997 A Bonds and the Prior Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Series 1997 A Bonds and the Prior Bonds; provided however, that so long as the Series 1997 A Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 A Bonds, including the Prior Bonds are funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds

are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

The use of any proceeds of these Bonds for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity will constitute an Event of Default under the Bond Resolution.

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

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

IN WITNESS WHEREOF, PUTNAM UNION PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto
affixed and attested by its Secretary, and has caused this Bond to be dated March 7, 1997.

PUTNAM UNION PUBLIC SERVICE DISTRICT

By: _____
Chairperson

[SEAL]

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: March 7, 1997

CITY NATIONAL BANK, as Registrar

By: _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

In the presence of:

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

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

ARTICLE IV

LINE OF CREDIT

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

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

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

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

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

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

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

Section 4.05. Form of Credit Line Note and Line of Credit Agreement. The text of the Credit Line Note and the Line of Credit Agreement shall be in substantially the form set forth in Exhibit I and Exhibit II attached hereto and incorporated herein. The Line of Credit Agreement shall be executed on behalf of the Issuer by the Chairperson. The Credit Line Note shall not become valid until manually authenticated and registered by the Notes Registrar.

Section 4.06. Security for the Note. The principal of the Note is payable solely from and secured by the Bond Proceeds and Grant Receipts and such other sources as are hereinafter set forth. The interest on the Note is payable from and secured by, the Net Revenues derived from the operation of the System; provided, that such lien on the Revenues is junior, inferior and subordinate in all respects to the lien thereon of the Holders of the Bond.

Section 4.07. Note Debt Service Fund. There is hereby created and established with the West Virginia Municipal Bond Commission (the "Commission") a special fund, to be designated the Note Debt Service Fund. Deposits for the payment of principal of and interest and fiscal agency or other charges on the Note shall be made as hereinafter provided. Any moneys in the Note Debt Service Fund shall be invested in investments authorized by this Resolution, maturing or subject to redemption at the option of the holder, when needed as hereinafter provided. Any such investment earnings shall be credited against the deposit for interest or principal next due.

Section 4.08. Payment of Interest. On the first day of each month, beginning with the first day of the month next succeeding the month in which the first advance under the Line of Credit, if any, is made, the Registrar shall notify the Board and the Commission in writing, or by telephone, confirmed in writing as soon as practicable thereafter, of the interest accrued on the Note for the preceding month. No later than the fourth day of such next succeeding month, and after those deposits required by the Prior Resolution and this Resolution, as amended, are made, the Issuer shall deposit in the Note Debt Service Fund the amount needed to pay the interest so accrued. The Commission shall transfer to the Registrar a sum equal to such interest payment then due, and the Registrar shall make such interest payment, in the manner described by Section 4.02, on the fifth day of such month.

Section 4.09. Payment of Principal. At least one day prior to the maturity of the Note, there shall be deposited in the Note Debt Service Fund, Bond Proceeds or other moneys needed to pay the principal of the Note at maturity. The Issuer may at any time, upon two (2) days' written notice to the Owner (or telephone notice, confirmed in writing as soon as practicable), prepay all or any portion of the Note Outstanding. Notice of any prepayment of all the Note Outstanding may include a direction by the Issuer that the Note must be surrendered for such payment; otherwise, the Registrar shall record the prepayment on the Record of Advances and Payments attached to the Note and return the Note to the Owner. The Commission shall transfer any such principal payment, whether at maturity or prepayment, or whether in whole or part, to the Registrar for payment, and the Registrar shall make such payment in the manner hereinabove and in Section 4.02 described.

Section 4.10. Construction Trust Fund. There is hereby created and established with the Bank (in such capacity, the "Depository") a special fund, to be designated the "Construction Trust Fund". Any draws under the Line of Credit shall be deposited in the Construction Trust Fund and shall be kept separate and apart from all other funds of the District or the Depository (and the Bank) and expended solely for the purposes hereinafter provided. Expenditures may be made from the Construction Trust Fund for paying the costs of acquisition and construction of the Project; provided, that no expenditures shall be made from said fund, without the approval of the Board and the Consulting Engineers. The balance of any such deposit in the Construction Trust Fund, in excess of the amount secured by the Federal Deposit Insurance Corporation, shall at all times be secured to the full extent thereof by direct obligations of the United States of America, or such other obligations as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia. Any balance in the Construction Trust Fund after the completion of the Project shall be deposited in the Note Debt Service Fund and used only for the payment of the Note as provided in this Resolution or, if the Note is no longer Outstanding, deposited as provided in the Prior Resolution and this Resolution. Pending the authorized use thereof, moneys in the Construction Trust Fund shall be invested in investments authorized under this Resolution.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

The following special funds or accounts are created with and shall be held by the Depository Bank separate and apart from all other funds or accounts of such Depository Bank and from each other:

- (1) Revenue Fund;
- (2) Depreciation Reserve Fund;
- (3) Series 1997 A Bonds Construction Trust Fund; and
- (4) Rebate Fund.

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

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

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

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

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month and simultaneously with the transfers required by Section 3.02(B)(2) of the Series 1983 Resolution, Section 3.02(B)(2) of the Series 1986 Resolution and Section 4.03(B)(ii) of the Series 1993 Resolution for the payment of interest, apportion and set apart out of the Revenue Fund and remit to the Commission, without distinction or priority between the three payments, commencing 7 months prior to the first date of payment of interest on the Series 1997 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit

to the Commission, for deposit in the Series 1997 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1997 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 1997 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month and simultaneously with the transfers required by Section 3.02(B)(2) of the Series 1983 Resolution, Section 3.02(B)(2) of the Series 1986 Resolution and Section 4.03(B)(ii) of the Series 1993 Resolution for the payment of principal apportion and set apart out of the Revenue Fund and remit to the Commission without distinction or priority between the three payments, (i) commencing 13 months prior to the first date of payment of principal on the Series 1997 A Bonds apportion and set out of the Revenue Fund and remit to the Commission, for deposit in the Series 1997 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1997 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next and simultaneously with the transfers required by Section 3.02(B)(3) of the Series 1983 Resolution, Section 3.02(B)(3) of the Series 1986 Resolution and Section 4.03(B)(iii) of the Series 1993 Resolution, on the first day of each month and without distinction of priority between the payments, commencing 13 months prior to the first date of payment of principal of the Series 1997 A Bonds, if not fully funded upon issuance of the Series 1997 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1997 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1997 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 1997 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month in which a payment is required pursuant to Sections 5.03A(2) or (3) hereof with

respect to the Series 1997 A Bonds, remit to the Commission an amount equal to ten percent (10%) of the amount to be remitted pursuant to Sections 5.03A(2) or (3) hereof for deposit in the Series 1997 A Special Reserve Fund.

(6) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the Project and simultaneously with the transfers required by Section 3.02(B)(4) of the Series 1983 Resolution, Section 3.02(B)(4) of the Series 1986 Resolution and Section 4.03(B)(iv) of the Series 1993 Resolution, transfer to the Depreciation Reserve Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the respective Reserve Accounts; provided that the total required deposit shall not exceed 2 1/2% of Gross Revenue. All funds in the Depreciation Reserve 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 Depreciation Reserve Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1997 A Bonds Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4), shall be promptly eliminated with moneys from the Depreciation Reserve Fund.

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

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

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

Moneys in the Series 1997 A Special Reserve Fund shall, on the first day of the month following the end of each Bond Year and on the first day of each month thereafter, be transferred back to the Series 1997 A Bonds Sinking Fund and credited against the amount of interest and principal, as the case may be, required to be deposited pursuant to Section 5.03A(2) or Section 5.03A(3), respectively, with respect to the Series 1997 A Bonds, until the amount on deposit in the Series 1997 A Special Reserve Fund, as of the last day of such preceding Bond Year has been exhausted.

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

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

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

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

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

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein, and the Depreciation Reserve Fund during the following month or such other period as required by law, such excess shall be considered Excess Revenues. Excess Revenues may be used for any lawful purpose of the System.

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

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

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

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

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

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

ARTICLE VI

APPLICATION OF BONDS PROCEEDS

Section 6.01. Application of Bonds Proceed; Pledge of Unexpended Bond Proceeds. (1) From the moneys received from the sale of the Series 1997 A Bonds, the following amounts shall be deposited as set forth below:

A. From the proceeds of the Series 1997 A Bonds, there shall be deposited in the Series 1997 A Bonds Sinking Fund, the sum, if any, set forth in the Supplemental Resolution; provided that such amount shall not exceed the amount necessary to pay interest for the construction period, plus six months.

B. From the proceeds of the Series 1997 A Bonds, there shall be deposited with the Commission in the Series 1997 A Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1997 A Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Series 1997 A Bonds shall be deposited with the Depository Bank in the Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Construction Trust Fund set forth in this Resolution. Moneys in the Construction Trust Fund shall be used solely to pay Costs of the Project and, until so expended, are hereby pledged as additional security for the Bonds. For purposes of this provision only, the moneys on hand in the Construction Trust Fund shall be treated as being disbursed on a proportionate basis.

Section 6.02. Disbursements from the Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Construction Trust Fund (except for the costs of issuance of the Bonds originally authorized hereby, which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

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

Section 6.03. Excess Bond Proceeds. After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Construction Trust Fund to the Series 1997 A Bonds Reserve Account, and when the 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 payments due on the Series 1997 A Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

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

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

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

The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay the Operating Expenses of the System and to make the prescribed payments into the funds and accounts created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes.

Section 7.05. Sale of the System. Except as otherwise required by law and as long as the Prior Bonds are outstanding, the System may not be sold, mortgaged, leased or

otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof and to pay the Prior Bonds in full. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Series 1997 A Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Series 1997 A Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Depreciation Reserve Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Depreciation Reserve Fund. The payment of such proceeds into the Sinking Funds or the Depreciation Reserve Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds (66 2/3%) in amount of the Bonds then Outstanding and the Consulting Engineers. The

Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Depreciation Reserve Fund at the time of the issuance of such subordinate obligations have been made and are current.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided and in the Prior Resolutions so long as the Prior Bonds are outstanding and only with the written consent of the Authority.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1997 A Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued pursuant to a Supplemental Resolution solely for the purpose of completing the Project as described in the application to the Authority and in accordance with the plans and specifications of the Consulting Engineer, in the event that the Series 1997 A Bonds should be insufficient, together with other funds lawfully available therefore, to pay all costs of construction and acquisition of the project without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds and provided further that prior to the issuance of such Parity Bonds and under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority. The holders of the Prior Bonds must consent to the issuance of such Parity Bonds.

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

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

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

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Resolution 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 said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System, including any reserves required by the PSC Order or any supplement or amendment thereto and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirement are on deposit respectively in the Reserve Account and reserve accounts for obligations prior to or on a parity with the Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. 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 thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following completion of the Project, the Issuer

shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit C, and forward a copy of such report to the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs 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 that 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.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the PSC, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty

charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the 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 Depreciation Reserve Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Reserve 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 interest of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project 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

and the Authority 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 and ownership of motor vehicles of or for the System.

(3) **WORKERS' 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 § 38-2-39.

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

Section 7.16. Operation and Maintenance Agreement and Purchase Agreement.
The Operation and Maintenance Agreement and the Purchase Agreement are attached hereto as Exhibits C and D and incorporated herein by reference and have been approved by the PSC.

Section 7.17. Completion, Operation and Maintenance; Permits and Orders.

The Issuer will expeditiously complete the Project in accordance with the plans and specifications prepared by the Consulting Engineers and will maintain the System in good condition and with all federal and state requirements and standards and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Resolution.

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 operation of the System.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement 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 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

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

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

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

E. **TWO YEAR CONSTRUCTION ELECTION.** The Issuer will expend the gross proceeds of the Bonds for the Project no later than the day which is two years after the date of issuance of the Bonds. The Issuer will expend the net proceeds (including, without limitation, investment proceeds earned before the close of the period involved on the investment of the proceeds of the Bonds) of the Bonds for the Project within the following periods beginning on the date of issuance of the Bonds.

Not less than 10 percent within 6 months,

Not less than 45 percent within 1 year,

Not less than 75 percent within 18 months, and

Not less than 100 percent within 2 years

(except for a reasonable retainage not exceeding 5% of the net proceeds of the Bonds which will be spent within 3 years). At least 75% of the net proceeds of the Bonds are to be used for construction expenditures with respect to property owned by the Issuer, and the Project will be owned by the Issuer.

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

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

Section 7.20. Statutory Mortgage Lien. A statutory mortgage lien upon the System is granted and created by Section 19 of the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Registered Owners of Bonds which lien is on a parity with the lien of the Prior Bonds.

Section 7.21. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 7.22. 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 (17CRF 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 Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

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

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

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1997 A Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Series 1997 A Bonds so that the Series 1997 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds so that the interest on the Series 1997 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Series 1997 A Bonds, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than \$100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code or the Loan Agreement, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

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

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

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

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

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

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

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

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

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

prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

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

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

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

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

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

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

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

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

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to the Bonds any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of

the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

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

ARTICLE XI

MISCELLANEOUS

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

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

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

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolutions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between the Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

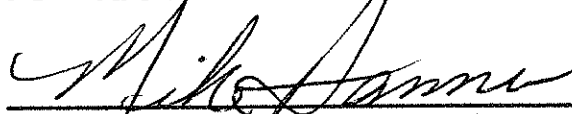
Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been

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

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

Adopted this 5th day of March, 1997.

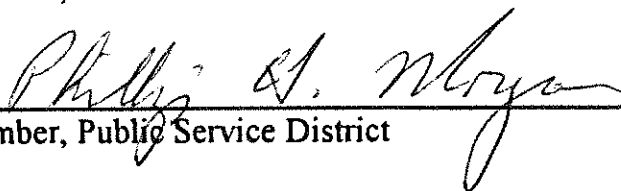
PUTNAM UNION PUBLIC SERVICE DISTRICT



Chairperson, Public Service District



Member, Public Service District



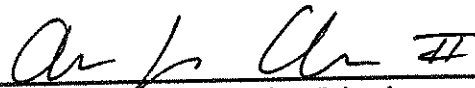
Member, Public Service District

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board
of Putnam Union Public Service District on the 5th day of March, 1997.

Dated: March 7, 1997.

[SEAL]



Secretary, Public Service District

53955

EXHIBIT A

DESCRIPTION OF PROJECT

The project is to construct a water main extension between Eleanor and Midway along U.S. Route 62, providing water and fire protection service to approximately 155 new customers. The project consists of about 13,360 feet of sixteen-inch water mains, 12,015 feet of six-inch water mains, 1,945 feet of two-inch water mains, thirteen (13) fire hydrants and related meters, vaults, valves and appurtenances.

EXHIBIT B

SCHEDULE OF RATES

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE PUTNAM UNION PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 A, DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK, AND CONSTRUCTION TRUST FUND DEPOSITORY BANK; APPROVING THE LOAN AGREEMENT WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Putnam Union Public Service District (the "District") has duly and officially adopted a Bond Resolution on March 5, 1997 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER DISTRIBUTION SYSTEM OF PUTNAM UNION PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$350,000 IN AGGREGATE PRINCIPAL AMOUNT OF PUTNAM UNION PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 A; AUTHORIZING A LINE OF CREDIT NOT TO EXCEED \$350,000; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Putnam Union Public Service District Water Revenue Bonds, Series 1997 A (herein the "Bonds") in aggregate principal amount not to exceed \$350,000, all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") to be entered into between the District and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution;

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

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bonds be fixed hereby in the manner stated herein; that the

Loan Agreement be approved; and that other matters relating to the Bonds be herein provided for; and

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

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

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be in the aggregate principal amount of \$350,000, with the following provisions:

The Bonds shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of \$350,000. The Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2035, shall bear interest at the rate of 6.25% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1997, 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, as long as the Authority shall be the registered owner of the Series 1997 A Bonds, and shall be payable in installments of principal on October 1 in each of the years 1997 through 2035, inclusive, and in the amounts as set forth in "Schedule X," attached thereto, hereto, and to the Loan Agreement and incorporated therein by reference. The Series 1997 A Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

The District has received a volume cap allocation of \$350,000 from the Industrial Development Bond Allocation Committee of the West Virginia Development Office. A copy of the approval is attached hereto.

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

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby reaffirms and appoints City National Bank, Charleston, West Virginia, as the Depository Bank.

Section 5. The District hereby appoints and designates City National Bank, Charleston, West Virginia, as Registrar for the Bonds.

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

Section 7. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about March 7, 1997.

Section 8. The District hereby directs that the Bond proceeds in the amount of \$-0- shall be deposited in the Series 1997 A Bonds Sinking Fund, as capitalized interest.

Section 9. The District hereby directs that Bond proceeds in the amount of \$24,211 be deposited in the Series 1997 A Bonds Reserve Account.

Section 10. The financing of the Project in part with proceeds of the Series 1997 A Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 11. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments until further directed by the District.

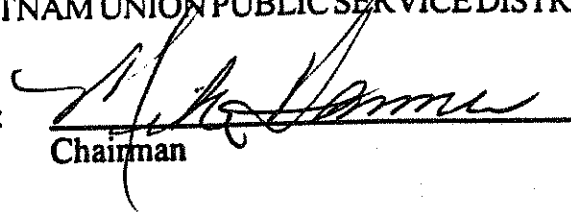
Section 12. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Series 1997 A Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. This Supplemental Resolution shall be effective immediately upon adoption.

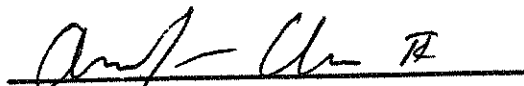
Dated: March 5, 1997

PUTNAM UNION PUBLIC SERVICE DISTRICT

By:


Chairman

[SEAL]


Secretary

CHASFS3:51538

1995 SERIES B LOAN PROGRAM
West Virginia Water Development Authority
Putnam Union PSD
Debt Service Schedule
Closing March 7, 1997
Total Amount Borrowed: \$350,000

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
10/1/97	6.25%	1,323.48	12,395.83	13,719.31	13,719.31
4/1/98	6.25%	-	10,896.14	10,896.14	
10/1/98	6.25%	2,418.27	10,896.14	13,314.41	24,210.55
4/1/99	6.25%	-	10,820.57	10,820.57	
10/1/99	6.25%	2,569.41	10,820.57	13,389.98	24,210.55
4/1/00	6.25%	-	10,740.28	10,740.28	
10/1/00	6.25%	2,730.00	10,740.28	13,470.28	24,210.56
4/1/01	6.25%	-	10,654.96	10,654.96	
10/1/01	6.25%	2,900.63	10,654.96	13,555.59	24,210.55
4/1/02	6.25%	-	10,564.32	10,564.32	
10/1/02	6.25%	3,081.92	10,564.32	13,646.24	24,210.56
4/1/03	6.25%	-	10,468.01	10,468.01	
10/1/03	6.25%	3,274.54	10,468.01	13,742.55	24,210.56
4/1/04	6.25%	-	10,365.68	10,365.68	
10/1/04	6.25%	3,479.20	10,365.68	13,844.88	24,210.56
4/1/05	6.25%	-	10,256.95	10,256.95	
10/1/05	6.25%	3,696.64	10,256.95	13,953.59	24,210.54
4/1/06	6.25%	-	10,141.43	10,141.43	
10/1/06	6.25%	3,927.68	10,141.43	14,069.11	24,210.54
4/1/07	6.25%	-	10,018.69	10,018.69	
10/1/07	6.25%	4,173.16	10,018.69	14,191.85	24,210.54
4/1/08	6.25%	-	9,888.28	9,888.28	
10/1/08	6.25%	4,433.99	9,888.28	14,322.27	24,210.55
4/1/09	6.25%	-	9,749.72	9,749.72	
10/1/09	6.25%	4,711.11	9,749.72	14,460.83	24,210.55
4/1/10	6.25%	-	9,602.50	9,602.50	
10/1/10	6.25%	5,005.56	9,602.50	14,608.06	24,210.56
4/1/11	6.25%	-	9,446.08	9,446.08	
10/1/11	6.25%	5,318.40	9,446.08	14,764.48	24,210.56
4/1/12	6.25%	-	9,279.88	9,279.88	
10/1/12	6.25%	5,650.80	9,279.88	14,930.68	24,210.56
4/1/13	6.25%	-	9,103.29	9,103.29	
10/1/13	6.25%	6,003.98	9,103.29	15,107.27	24,210.56
4/1/14	6.25%	-	8,915.66	8,915.66	
10/1/14	6.25%	6,379.23	8,915.66	15,294.89	24,210.55
4/1/15	6.25%	-	8,716.31	8,716.31	
10/1/15	6.25%	6,777.93	8,716.31	15,494.24	24,210.55
4/1/16	6.25%	-	8,504.50	8,504.50	
10/1/16	6.25%	7,201.55	8,504.50	15,706.05	24,210.55
4/1/17	6.25%	-	8,279.45	8,279.45	
10/1/17	6.25%	7,651.65	8,279.45	15,931.10	24,210.55

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
4/1/18	6.25%	-	8,040.34	8,040.34	
10/1/18	6.25%	8,129.87	8,040.34	16,170.21	24,210.55
4/1/19	6.25%	-	7,786.28	7,786.28	
10/1/19	6.25%	8,637.99	7,786.28	16,424.27	24,210.55
4/1/20	6.25%	-	7,516.34	7,516.34	
10/1/20	6.25%	9,177.87	7,516.34	16,694.21	24,210.55
4/1/21	6.25%	-	7,229.54	7,229.54	
10/1/21	6.25%	9,751.48	7,229.54	16,981.02	24,210.56
4/1/22	6.25%	-	6,924.80	6,924.80	
10/1/22	6.25%	10,360.95	6,924.80	17,285.75	24,210.55
4/1/23	6.25%	-	6,601.02	6,601.02	
10/1/23	6.25%	11,008.51	6,601.02	17,609.53	24,210.55
4/1/24	6.25%	-	6,257.01	6,257.01	
10/1/24	6.25%	11,696.54	6,257.01	17,953.55	24,210.56
4/1/25	6.25%	-	5,891.49	5,891.49	
10/1/25	6.25%	12,427.58	5,891.49	18,319.07	24,210.56
4/1/26	6.25%	-	5,503.13	5,503.13	
10/1/26	6.25%	13,204.30	5,503.13	18,707.43	24,210.56
4/1/27	6.25%	-	5,090.49	5,090.49	
10/1/27	6.25%	14,029.57	5,090.49	19,120.06	24,210.55
4/1/28	6.25%	-	4,652.07	4,652.07	
10/1/28	6.25%	14,906.42	4,652.07	19,558.49	24,210.56
4/1/29	6.25%	-	4,186.24	4,186.24	
10/1/29	6.25%	15,838.07	4,186.24	20,024.31	24,210.55
4/1/30	6.25%	-	3,691.30	3,691.30	
10/1/30	6.25%	16,827.94	3,691.30	20,519.24	24,210.54
4/1/31	6.25%	-	3,165.43	3,165.43	
10/1/31	6.25%	17,879.69	3,165.43	21,045.12	24,210.55
4/1/32	6.25%	-	2,606.69	2,606.69	
10/1/32	6.25%	18,997.17	2,606.69	21,603.86	24,210.55
4/1/33	6.25%	-	2,013.03	2,013.03	
10/1/33	6.25%	20,184.49	2,013.03	22,197.52	24,210.55
4/1/34	6.25%	-	1,382.26	1,382.26	
10/1/34	6.25%	21,446.03	1,382.26	22,828.29	24,210.55
4/1/35	6.25%	-	712.08	712.08	
10/1/35	6.25%	22,786.40	712.08	23,498.48	24,210.56
		350,000.00	583,720.31	933,720.31	933,720.31

Average Coupon	6.249999%
TIC =	6.249420%
NIC =	6.249999%
Arbitrage Yield =	6.249420%
WAM =	26.684

THIS AGREEMENT is made this 11th day of April, 1996, by and among the WEST VIRGINIA-AMERICAN WATER COMPANY, a West Virginia corporation (hereinafter "Water Company") and PUTNAM UNION PUBLIC SERVICE DISTRICT ("PUPSD"), a public corporation established under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended.

W I T N E S S E T H:

WHEREAS, PUPSD owns certain water distribution facilities within an area of Putnam County known as Red House serving approximately 770 customers located within that area; and

WHEREAS, PUPSD, pursuant to an Agreement of Purchase ("Purchase Agreement") dated April 11, 1996, has agreed to convey a portion of its facilities, consisting of 7,677 feet of 16-inch water line and other distribution facilities described on Appendix A ("PUPSD Lines") from Hometown, West Virginia, to the interconnection of Routes 34 and 62 near Red House to Water Company, all as more fully detailed in the Purchase Agreement; and

WHEREAS, after conveyance of the PUPSD Lines, PUPSD will continue to own generally those other distribution lines ("PUPSD System") served from the PUPSD Lines, and the PUPSD Lines, in turn, will be owned and operated by Water Company; and

WHEREAS, the PUPSD System is generally shown and described on the map attached to and incorporated herein as Appendix B; and

WHEREAS, Water Company currently provides PUPSD with its sole supply of potable water from Water Company's Kanawha Valley

distribution system through the interconnection of the PUPSD Lines with the water distribution and transmission facilities of the Town of Bancroft ("Bancroft System"); and

WHEREAS, Water Company has negotiated, or is in the process of negotiating, the purchase of the Bancroft System from the Town of Bancroft and thus will be in a position to serve PUPSD directly through the Bancroft System to be acquired by the Water Company; and

WHEREAS, Water Company has offered to enter into this Agreement and to agree to undertake the operation, maintenance, repair and replacement of the PUPSD System and to supply directly the estimated needs of the customers of PUPSD at Red House; and

WHEREAS, PUPSD believes it is in the best interests of the PUPSD and the residents of Red House and the surrounding area for Water Company to operate, maintain, repair and replace the PUPSD System and to provide water service to the residents of Red House at the lower rates that will be possible under that arrangement; and

WHEREAS, the PUPSD wants Water Company to provide potable water directly to PUPSD customers and to provide assistance in the operation, maintenance, repair and replacement of the PUPSD System.

NOW, THEREFORE, for and in consideration of the premises, which are hereby made an integral part of this Agreement and which are not to be construed as mere recitals, the covenants and agreements contained herein and other good and valuable

considerations, the receipt and sufficiency of all of which are hereby acknowledged, Water Company and PUPSD agree:

I. Supply of Water to Customers of PUPSD.

A. Upon the conveyance of the PUPSD Lines, Water Company agrees to provide to PUPSD customers served from the PUPSD Lines and from the PUPSD System, subject to the terms, conditions, undertakings, agreements and limitations provided in this Agreement, the total water requirements to the customers of PUPSD, said water delivered to PUPSD's customers to be of the same quality as that supplied to Water Company's customers in Kanawha and Putnam Counties. Water Company will be paid for the water supplied to PUPSD customers in the manner set forth in Section V of this Agreement at the rates of Water Company from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended.

B. Water Company shall monitor the water quality and be responsible for compliance with all state and federal standards for furnishing water to the public.

C. In the event of an extended shortage of water, or if the supply of water from Water Company is otherwise diminished or impaired, the supply of water to the customers of PUPSD shall be reduced or diminished in approximately the same proportion as the supply of the water to Water Company's Kanawha and Putnam County customers is reduced or diminished. Any notification given to Water Company's Kanawha and Putnam County customers of any

anticipated shortage of water shall also be given to customers of PUPSD.

II. Term of This Agreement.

The term of this Agreement shall extend for forty (40) years from the date hereof and thereafter may continue in effect from year to year by mutual consent of the parties; provided, however, PUPSD shall have the right to terminate this Agreement on (i) sixty (60) days prior written notice and (ii) payment at the time of such termination to Water Company of the amount calculated as set forth in Section VII below.

III. Future Additions to and Future Extension of PUPSD System.

Water Company and PUPSD are aware that there may be written requests by PUPSD for future additional use of water by customers of PUPSD and that there may be future approved PUPSD additions and extensions made to PUPSD System. In addition to the other requirements set forth in this Agreement, PUPSD and Water Company hereby specifically agree that such additional use, additions and extensions will be made if there is sufficient treatment capacity and distribution and pumping facilities from any reasonable source, including PUPSD and Company's transmission and distribution mains, adequate to serve PUPSD's customers and if it is otherwise economically feasible to meet the total then present and anticipated needs of both the customers of PUPSD and the other customers of Water Company's Kanawha Valley District. Further, PUPSD and Water Company agree as follows:

A. Future Additions. All future additions to the PUPSD System constructed by PUPSD shall be subject to this Agreement; provided, however, that future additions to the system must be approved by both Water Company and PUPSD, and provided further, that where PUPSD has indicated its approval for a new addition, Water Company's approval may be withheld only on the grounds of (i) insufficient water treatment capacity from any reasonable source, (ii) economic feasibility, and (iii) failure to meet Company's engineering standards for design or construction. It is understood that PUPSD will not approve a future addition which is not economically feasible.

B. Future Extension. Customer extensions from the PUPSD System and within PUPSD boundary lines may be installed by either PUPSD or Water Company. When PUPSD receives a request for a customer extension, PUPSD shall notify in writing Water Company within fifteen days of its receipt of said request whether it will install the customer extension or desires Water Company to make the installation.

(1) In the event PUPSD desires Water Company to install and own the customer extension, (i) Water Company shall contract on its own behalf with the customer requesting the extension and make the installation pursuant to the Rules and Regulations of the Commission, (ii) all customers attaching to the customer extension shall be considered customers of Water Company for billing purposes at the rates of Water Company in accordance

with Section V, and (iii) the customer extension shall be, without further cost or expense of any kind, the property of Water Company.

(2) In the event PUPSD elects to install and own the customer extension, the construction for that customer extension by PUPSD will be contracted to a contractor acceptable to Water Company, and all plans and specifications for that extension shall be submitted to and approved by Water Company before becoming a part of PUPSD's System and being subject to this Agreement. When that extension is contracted to a contractor acceptable to Water Company, Water Company, on behalf of and as agent for PUPSD, will contract directly with such contractor to provide the extension and will have the right, but not the obligation, to provide an inspector, at the cost of the Company, to inspect the construction of the extension. Any extension deposits taken by Water Company on behalf of and as agent for PUPSD pursuant to the Rules and Regulations of the Public Service Commission of West Virginia ("Commission") will be retained by Water Company and credited against the cost of the extension, and the balance of the deposit above the cost of the extension, if any, will be returned to the contracting customer. Water Company, on behalf of and as agent for PUPSD, will make refunds to the contracting customers for the extensions pursuant to the Rules and Regulations of the Commission based on the rates of PUPSD, using funds advanced to Water Company by PUPSD.

(3) Refunds made pursuant to the Rules and Regulations of the Commission to customers contracting directly

with Water Company pursuant to subparagraph III B shall be the sole responsibility of Water Company, and the cost of such extensions, to the extent refunded or reimbursed to customers pursuant to the Commission's Rules and Regulations, shall be properly includable in Water Company's depreciable utility plant in calculating Water Company's cost of service and resulting rates.

IV. Operation and Maintenance of PUPSD System By Water Company for PUPSD.

A. Water Company hereby agrees to operate, maintain, repair and replace (i) PUPSD System, and (ii) all water lines added thereto as additions and extensions.

B. In the event Water Company, under the terms of this Agreement, is required to install, relocate or replace any "unit of property" within the PUPSD System as defined in the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners ("NARUC"), Water Company shall make such installation, relocation or replacement at its cost; provided, however, that in every such instance the unit of property shall be, and remain, the property of Water Company (unless purchased by PUPSD from Water Company after termination of this Agreement as provided in Section VII hereof) and shall be properly includable in the depreciable utility plant of Water Company in calculating its cost of service and resulting rates.

C. PUPSD agrees that, in those instances in which the Water Company installs, replaces or relocates any unit of property on the PUPSD System pursuant to the provisions of subsection A of

Section IV, PUPSD will, simultaneously therewith, convey to Water Company all related rights of way, easements, licenses or other property interests necessary for Water Company to have and own such unit of property in the location and manner in which it is installed, replaced or relocated on the PUPSD System.

V. Reading Meters, Billing of Customers and Payments to PUPSD Including Joint Use Payments.

A. All customers served directly from the PUPSD System under this Agreement shall be the customers of PUPSD and all customers served directly from the PUPSD Lines after conveyance of the PUPSD Lines to Water Company shall be the customers of Water Company; provided, however, that all customers served through extensions added to the PUPSD System pursuant to the provisions of subparagraph III.B.(1) after conveyance of the PUPSD Lines, shall be customers of the Water Company. Water Company shall read all meters of the customers of PUPSD and render bills to those customers, as agent for and on behalf of PUPSD, in a manner consistent with the meter reading and billing practices of Water Company employed in billing its own customers, such bills to be rendered and collected by Water Company on behalf of PUPSD and to be computed based on the usage of each PUPSD customer at the rates of PUPSD from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended. It is the intention of the PUPSD and the Company that the rates of the Company and the PUPSD shall be the same except to the extent that the PUPSD rates are otherwise adjusted from time to time by the Commission.

B. It is the intent of Water Company and PUPSD under this Agreement that the bills delivered to each customer of PUPSD on behalf of PUPSD reflect the amount due for the water used (such amount to be determined by applying the rates of PUPSD to the consumption of water by PUPSD's customers as determined by monthly or estimated meter readings). The bills delivered to the customers of PUPSD will be delivered by, and be payable to, Water Company, as agent for PUPSD.

C. Water Company, in consideration of the respective rights, duties, obligations, agreements and undertakings of the parties under this Agreement, shall be entitled to receive from PUPSD an amount for water service rendered to PUPSD's customers equal to the consumption of each individual PUPSD customer at Water Company rates from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended. Water Company shall prepare and deliver a monthly statement to PUPSD which shall reflect the total amount collected by Water Company as agent for PUPSD and the total amount retained by Water Company for the water service provided to customers of PUPSD at the respective rates of PUPSD and Water Company. A customer of PUPSD shall be charged a municipal B & O surcharge on his usage only if that customer resides within a municipality which imposes such a surcharge. In addition, the monthly statement to be provided to PUPSD by Water Company will also include the costs of any additions or extensions, and related refunds, made at the cost of the PUPSD under Section III, and the

cost of any fire hydrants under Section IX installed at the cost of PUPSD.

D. In order to assist in the financing of PUPSD's portion of cost of constructing the Midway Line and to enable the PUPSD to purchase approximately 3,000 feet of 10-inch water line from the Town of Eleanor ("Eleanor Line") (all as described more fully in the Agreement of Purchase between the PUPSD and the Company), PUPSD has agreed to borrow approximately \$405,000 from the West Virginia Water Development Authority ("WDA Loan") (to supplement a Small Cities Block Grant to the PUPSD of \$550,000). In addition to the other payments to be made under this Section V, Water Company agrees to pay PUPSD a Joint Use Line payment for the use of the entire Midway Line such Joint Use Line payment to be sufficient to pay the actual monthly debt service, including principal and interest, on the amount which the PUPSD borrows in order to finance the construction of the Midway Line and the purchase of the Eleanor Line; provided, however, if the amount borrowed is in excess of \$405,000 the Company's Joint Use Line payment shall not exceed \$2,667 per month or \$32,000 annually and shall terminate when the WDA Loan is repaid; provided, further, that if the PUPSD must, in order to construct the Midway Line and purchase the Eleanor Line, borrow some amount different from the \$405,000, the Water Company's Joint Use Line payment shall be adjusted so as to fully allow PUPSD to cover actual debt service. In the event the amount discussed above is insufficient to service

the borrowing, such amount shall not be exceeded without the consent of both parties.

E. PUPSD agrees to have its accountants review, at least annually, at the expense of PUPSD, the system of accounts maintained by Water Company for PUPSD and report the results of that review to PUPSD, Water Company and the County Commission of Putnam County.

F. In addition to such other obligations, duties and responsibilities set forth in this Agreement, Water Company agrees to pay directly to vendors the reasonable costs of the following five items on behalf of PUPSD, up to maximum aggregate amount for all five items of \$12,000 in each calendar year during the term hereof, upon the receipt of an invoice for such costs from the vendor, which has been approved by PUPSD for payment and forwarded by PUPSD to Water Company:

1. PUPSD Commissioner's Fees
2. Engineering, Legal and Accounting Expenses
3. Liability Insurance and Bonds
4. Regulatory Commission Fees
5. Miscellaneous Supplies and Expenses

PUPSD agrees that the \$12,000 provided under this Agreement shall be the total amount to be paid by Water Company to PUPSD under this agreement between the Water Company and PUPSD. In the event that either Water Company or PSD determines that the maximum aggregate amount of \$12,000 is inadequate or excessive to pay the reasonable costs of the above-mentioned five items, then either party may petition the Utilities Division of the Public Service Commission of West Virginia to audit and review the costs incurred by PUPSD for

such items and to fix the maximum aggregate amount for said items which Water Company will pay pursuant to this Subsection F.

VI. Installation of Domestic Services.

After the proposed acquisition of the PUPSD Lines has been completed, Water Company shall install, in accordance with the Rules and Regulations of the Commission, domestic service lines, including the tap on the PUPSD System and the service line from the PUPSD System to the established curb line or within the public right of way nearest the main. This installation shall include the meter setting. All such service lines from the PUPSD System to the PUPSD customer's property line, meter settings and taps shall be constructed and installed by Water Company and shall be the property of Water Company. Water Company shall install all meters at its cost, shall own the meters, and shall assume the obligation to repair, maintain and replace the meters and associated pressure regulators installed in the meter pits.

VII. Payment to Water Company Upon Termination of the Agreement.

A. Water Company and PUPSD agree that the \$1,394,174 payment made by Water Company to retire the Debt and to construct a portion of the Midway Line was in anticipation of a forty-year contractual relationship under this Agreement, and if PUPSD elects to exercise its right to terminate this Agreement at any time prior to the end of the forty-year term, then PUPSD agrees to pay the Company at the time of such termination a portion of the \$1,394,174 as a termination fee ("termination fee") on a pro rata basis based

on the remaining years in the forty-year agreement, less depreciation on the \$1,394,174 paid by Water Company. Further, if the Agreement terminates prior to retirement of the WDA Loan for the Midway Line, the Company shall have no further obligation to make any Joint Use Payments after such termination.

B. At the time of termination of this Agreement, Water Company will be entitled to receive payment for the termination fee, all water delivered to PUPSD System customers through the termination date of this Agreement in accordance with the provisions of Section V of this Agreement, and all water meters installed on PUPSD's distribution system at the time of such termination will be removed by Water Company. PUPSD agrees that it will either replace those meters, install nipples in place of those meters or buy the meters from Water Company at the depreciated original cost of those meters as provided in Subsection D of this Section VII.

C. Upon termination of the Agreement, PUPSD also agrees that it will purchase from Water Company at the depreciated original cost of those items all of the units of property installed, replaced or relocated by Water Company on the PUPSD System under Section IV of this Agreement and all service lines from the PUPSD System to the PUPSD customers' property line, meter settings and taps installed at the cost of Water Company and reflected on the books of the Water Company at the time of the termination of the Agreement.

D. Upon termination of the Agreement, Water Company shall, within thirty (30) days of such termination, provide to PUPSD (i) the total cost of all such items described in subparagraphs B and C of this section VII installed at the cost of Water Company and (ii) the total depreciation accrued on all of such items. PUPSD agrees that it will pay to Water Company the total net depreciated cost (original cost less depreciation) of such items over a three year period with such payments to be made in thirty-six (36) equal monthly payments of principal, plus accrued interest at the "Prime Rate," as defined below, commencing forty-five (45) days after termination of the Agreement. The Prime Rate shall be the prime rate as shown in The Wall Street Journal being defined therein as the "base rate on corporate loans at large U.S. money center commercial banks" and reported as the "PRIME RATE" under the heading "Money Rates," as those terms shall be from time to time changed. The Prime Rate shall change not more often than the first day of each calendar quarter, and for each calendar quarter it shall be determined on the last day of the preceding calendar quarter on which The Wall Street Journal is published with the aforesaid prime rate quotation. In the event that The Wall Street Journal ceases to publish such rates, the Prime Rate shall be the prime rate established by One Valley Bank, National Association, of Charleston, West Virginia, from time to time.

VIII. Installation of Private Fire Protection Services.

Fire services, approved by PUPSD, may be installed by Water Company from the PUPSD System, but only in accordance with

the Rules and Regulations of the Commission. Fire service will be installed by Water Company at the expense of the applicant and will be billed by Water Company to the applicant and paid by the applicant directly to Water Company at a rate equal to the ten approved Water Company's private protection rate.

IX. Installation of Fire Hydrants.

Public fire protection facilities approved by PUPSD may be installed on the PUPSD System covered by this Agreement at the request of an appropriate governmental unit, and installation shall be made pursuant to the Rules and Regulations of the Commission, provided that all such fire hydrants shall have a flow capability of at least 500 GPM at 20 psi residential pressure for a sustained period of time.

X. Water Service Franchise Territories.

It is expressly understood and agreed by Water Company and PUPSD that:

A. Water Company shall be permitted to own the PUPSD Lines purchased by Water Company and to serve Water Company customers served directly from that line within the water service franchise area of PUPSD as are necessary to enjoy and fulfill its rights and obligations under this Agreement, subject to the terms and conditions set forth in this Agreement.

B. Except as otherwise provided in this Agreement, all persons residing outside of PUPSD's water service franchise area, as defined above, and served, either at present or in the future, by Water Company shall be considered customers of Water Company.

C. PUPSD agrees that, as a part of the consideration for this Agreement, Water Company shall have the right, even after termination of this Agreement, subject to capacity limitations of the District's facilities to transfer water through the PUPSD System, and all future additions and future extensions thereto, under such terms and at such rate as may be approved by the Commission, and to serve customers who may be connected, directly or indirectly, to Water Company water mains, whether inside or outside PUPSD's service area. The parties agree that this Agreement does not constitute a determination by the parties that any subsequent use of the PUPSD Facilities by Water Company after termination of this Agreement, or extension thereof, shall require the payment of a transportation rate by the Water Company, but either party shall be free to raise that issue for determination before the Public Service Commission following such determination.

XI. Conditions Precedent to Effectiveness of Agreement.

Water Company and PUPSD understand and agree that this Agreement, and the obligations of each of them hereunder, are expressly conditioned upon the following, each of which is a condition precedent to the validity and enforceability of this Agreement:

A. The Commission shall have approved the rates and billing arrangements requested by PUPSD in the Joint Application, or any supplements thereto, filed with the Commission seeking approval of this Agreement, which Joint Application shall initially

be the responsibility of Water Company and thereafter shall be the joint responsibility of Water Company and PUPSD.

B. The Commission shall have approved this Agreement and the Purchase Agreement and all of the terms, conditions, undertakings, agreements and limitations in both of such agreements. Specifically, and without in anyway limiting the generality of this condition, the Order approving this Agreement and the transactions contemplated thereby shall:

(1) Authorize the inclusion in depreciable utility plant of Water Company any amounts expended by Water Company for the cost of installing, replacing or relocating any water lines or facilities on the PUPSD System which are defined as a "unit of property," in the NARUC Uniform System of Accounts and which are relocated or replaced by Water Company at its cost pursuant to Section IV under this Agreement and the cost to Water Company to install service lines, meter settings and taps on the PUPSD system pursuant to Section VI; and

(2) Authorize Water Company to include in depreciable utility plant an amount equal to the tax expense associated with the obligations assumed by Water Company under the Agreement to the extent that the undertaking by Water Company to operate, maintain, repair or replace the PUPSD System under this Agreement, causes such PUPSD System, or any part thereof, to constitute taxable income or to otherwise to generate tax expense for Water Company.

C. The Commission shall not have attached to its Order any terms, conditions or limitations which shall adversely affect this Agreement or the economic feasibility of this project between the parties insofar as take any action or refrain from taking any action which, in the opinion of their respective counsel, might require them, or either of them, to breach any of the their obligations under any Mortgage Indenture, as supplemented, or any other agreement to which either of them might be a party.

XII. Representations and Warranties.

A. PUPSD represents and warrants to Water Company as follows:

(1) The execution, delivery and performance of this Agreement by PUPSD has been duly authorized, and this Agreement constitutes a valid and binding obligation of PUPSD enforceable in accordance with its terms; and

(2) The execution and performance of this Agreement in accordance with its terms by PUPSD will not violate any provisions of law or violate the terms or conditions of any grants or loans made to PUPSD for construction of the PUPSD System.

B. Water Company represents and warrants to PUPSD as follows:

(1) The execution, delivery and performance of this Agreement by Water Company have been duly authorized, and this Agreement constitutes a valid and binding obligation of Water Company enforceable in accordance with its terms; and

(2) The execution and performance of this Agreement in accordance with its terms by Water Company will not violate any provisions of Water Company's indentures.

XIII. Assignability.

This Agreement shall be binding upon the successors and assigns of the respective parties hereto.

XIV. Notice.

Any notice, demand or request given hereunder shall be deemed sufficient if in writing and sent by certified mail, postal charges prepaid, to West Virginia-American Water Company, Attention: President, 500 Summers Street, P. O. Box 1906, Charleston, WV 25327; and to PUPSD addressed to Putnam Union Public Service District, P. O. Box 89, Bancroft, West Virginia 25011, or to such address as the parties shall indicate by written notice to the other parties.

XV. Captions.

The captions preceding the text of the sections of this Agreement are inserted solely for convenience and reference and shall not be used to construe, interpret or affect any provision of this Agreement.

IN WITNESS WHEREOF, West Virginia-American Water Company, a corporation and Putnam Union Public Service District, a public corporation, have caused this Agreement to be signed, by their proper officers thereunto duly authorized, all as of the day and year first above written.

WEST VIRGINIA-AMERICAN WATER COMPANY

By Michael A. Miller
Michael A. Miller
Its Vice President

PUTNAM UNION PUBLIC SERVICE DISTRICT

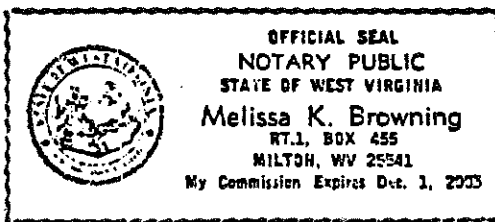
By [Signature]
Its: [Signature]

ABB099D7

STATE OF WEST VIRGINIA,
COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this
11th day of April, 1996, by Michael A. Miller, Vice
President of West Virginia-American Water Company, a West Virginia
corporation, on behalf of the corporation.

My commission expires December 1, 2003.



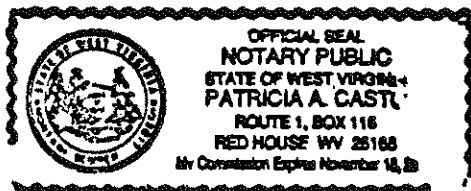
Melissa K. Browning
Notary Public

STATE OF WEST VIRGINIA,
COUNTY OF PUTNAM, to-wit:

The foregoing instrument was acknowledged before me this
11th day of April, 1996, by Mike Hanna,
Chairman of Putnam Union Public Service District, on
behalf of Putnam Union Public Service District.

My commission expires November 18, 2000.

ABB099D7

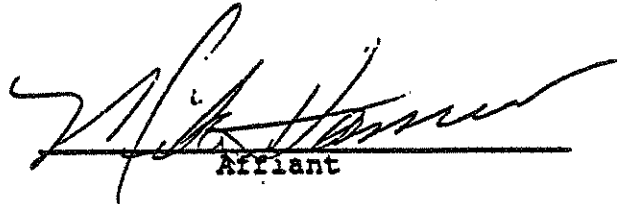


Patricia A. Casto
Notary Public

VERIFICATION

STATE OF WEST VIRGINIA,
COUNTY OF PUTNAM, to-wit:

Mike Hanna, Chairman, of the Putnam Union Public Service District, being duly sworn, says that the facts and allegations contained in the foregoing Joint Application are true, except so far as they are therein stated to be on information, and that, so far as they are therein stated to be on information, he believes them to be true.


Affiant

Taken, sworn to, and subscribed before me this 15th day
of April, 1996.

My commission expires November 14, 2000.

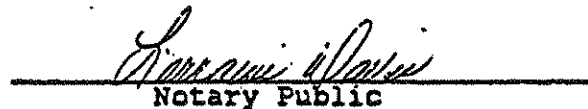
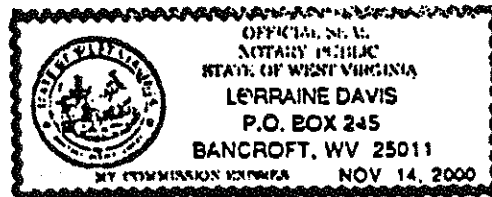

Notary Public

ABB09917



PUTNAM UNION PUBLIC SERVICE DISTRICT

\$350,000 Water Revenue Bonds,
Series 1997 A

CERTIFICATE OF:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of the Putnam Union Public Service District (herein called the "District"), and the undersigned ATTORNEY for the District, hereby certify in connection with the single, fully registered Putnam Union Public Service District Water Revenue Bonds, Series 1997 A, numbered AR-1, dated the date hereof, in the principal amount of \$350,000 (herein called the "Bonds"), the Bonds bearing interest at the rate of six and two-quarters percent (6.25%), as follows:

1. **TERMS:** All capitalized words and terms used in this Certificate and not otherwise defined shall have the same meaning as in the Bond Resolution duly adopted by the Public Service Board (the "Board") of the District on March 5, 1997 and a Supplemental Resolution adopted March 5, 1997 relating to the Bonds (collectively, the "Resolution"), and the Loan Agreement (the "Loan Agreement") entered into between the District and the West Virginia Water Development Authority (the "Authority"), date March 7, 1997.

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

thereof; nor questioning the existence of the District or the title of the members or officers of the District or of the Board thereof to their respective offices; nor questioning construction and acquisition of the improvements and extensions to the existing sewage collection and transportation facilities of the District financed in part by the proceeds of sale of the Bonds (herein called the "Project"), nor operation by the District of the Project (said existing facilities, the Project and any further extensions, additions, improvements or betterments thereto, herein collectively called the "System"), nor challenging the collection or use or pledge of the Net Revenues of the System.

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

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the District since the project was approved by West Virginia Infrastructure and Jobs Development Council. Further, there has been no adverse change in the status of any grant necessary to finance the acquisition and construction of the Project.

The District issued \$329,000 Water Revenue Bonds, dated July 10, 1983, \$234,000 Water Revenue Bonds, Series 1986, dated July 10, 1986 and \$503,000 Water Revenue Bonds, Series 1993, dated April 27, 1993 to Rural Utilities Service ("RUS") (formerly Farmers Home Administration) (collectively, the "Prior Bonds"). The District has received the written consent of RUS with respect to issuance of the Bonds on a parity as to lien and source of security with the Prior Bonds. The District is current on all payments on the Prior Bonds and is in compliance with all covenants with respect to said Prior Bonds.

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

6. PUBLIC SERVICE COMMISSION ORDER; RATES: The undersigned Attorney hereby certifies that the District has filed any information with the Public Service Commission (the "PSC") and taken all other action required to maintain the Final Order of the PSC issued in Case No. 96-0191-DWD-CN dated September 23, 1997, which grants a Certificate of Convenience and Necessity and approves the Project financing in full force and effect, and has taken all other action required by applicable law.

The District's rates are sufficient to meet the Loan Agreement requirements.

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

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Mike Hanna	9/30/96	9/30/2002
Arthur Chestnut	11/20/96	9/30/2000
Phillip Morgan	2/26/96	9/30/98

At the organizational meeting, the following were duly elected and qualified as officers of the Board for: Mike Hanna, Chairman, Phillip Morgan, Treasurer and Arthur Chestnut, Secretary.

Robert Rodecker, Esquire, whose signature appears hereon is the duly appointed and acting Attorney for the District.

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

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

10. **INSURANCE:** The District will maintain or, as appropriate, will require all contractors to, maintain Worker's Compensation, public liability and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance where applicable, in accordance with the Resolution and the Loan Agreement.

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

12. **SPECIMEN BOND:** Attached hereto as Exhibit A is a specimen of the Bond which, except as to execution and authentication, is identical in all respects with such Bond this day delivered to the Authority and being substantially in the form prescribed in the Resolution.

13. **CONFLICTS OF INTEREST:** No officer or employee of the District has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the District and the sale of any land, materials, supplies or services to the District, or to any contractor supplying the District, relating to the Bonds, the authorizing document 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.

14. **GRANTS:** The \$550,000 West Virginia Small Cities Block Grant, and the commitment for the cash contribution in the amount of \$450,000 from WVAVC, respectively, are in full force and effect.

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

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

WITNESS our signatures and the official corporate seal of the Putnam Union
Public Service District on this 7th day of March, 1997.

[SEAL]

Signature

Official Title

Mike Hamner
Art G. Jr.
Robert R. Loeckert

Chairman

Secretary

Attorney

CHASFS3:51540

AR-1



Exhibit A

"SPECIMEN"

**UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PUTNAM UNION PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1997 A**

No. AR-1

\$350,000

KNOW ALL MEN BY THESE PRESENTS: That PUTNAM UNION 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 Three Hundred Fifty Thousand Dollars (\$350,000) in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1997. 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 City National Bank, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of

the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority dated March 7, 1997.

This Bond is one of a series of Bonds (the "Bonds") issued in the original principal amount of \$350,000 (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing waterworks system of the Issuer (the "Project"); (ii) to pay certain costs of issuance hereof and related costs; and (iii) to fund a reserve account for the Bonds. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution duly adopted by the Issuer on March 5, 1997, and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT AND SECURITY FROM THE NET REVENUES (AS DEFINED IN THE RESOLUTION) WITH THE PUTNAM UNION PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1983 ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$329,000, THE WATER REVENUE BONDS, SERIES 1986 ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$234,000 AND THE WATER REVENUE BONDS, SERIES 1993, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$503,000 (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System on a parity with the lien of the Prior Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1997 A Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside in a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 A Bonds Reserve Account and unexpended Bond Proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable

expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Series 1997 A Bonds and the Prior Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Series 1997 A Bonds and the Prior Bonds; provided however, that so long as the Series 1997 A Bonds Reserve Account is funded at an amount at least equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1997 A Bonds, including the Prior Bonds are funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

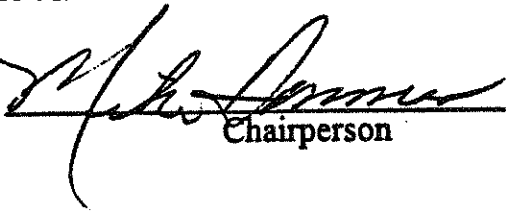
This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations,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

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

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

IN WITNESS WHEREOF, PUTNAM UNION PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated March 7, 1997.

PUTNAM UNION PUBLIC SERVICE DISTRICT

By: 

Chairperson

[SEAL]

ATTEST:

 TF
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: March 7, 1997

CITY NATIONAL BANK, as Registrar

By: *Sharon J. [Signature]*
Its Authorized Officer

EXHIBIT A
"SPECMEN"

SCHEDULE OF ANNUAL DEBT SERVICE

1995 SERIES B LOAN PROGRAM
 West Virginia Water Development Authority
 Putnam Union PSD
 Debt Service Schedule
 Closing March 7, 1997
 Total Amount Borrowed: \$350,000

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
10/1/97	6.25%	1,323.48	12,393.83	13,719.31	13,719.31
4/1/98	6.25%	-	10,896.14	10,896.14	
10/1/98	6.25%	2,418.27	10,896.14	13,314.41	24,210.55
4/1/99	6.25%	-	10,820.57	10,820.57	
10/1/99	6.25%	2,569.41	10,820.57	13,389.98	24,210.55
4/1/00	6.25%	-	10,740.28	10,740.28	
10/1/00	6.25%	2,730.00	10,740.28	13,470.28	24,210.56
4/1/01	6.25%	-	10,654.96	10,654.96	
10/1/01	6.25%	2,900.63	10,654.96	13,555.59	24,210.55
4/1/02	6.25%	-	10,564.32	10,564.32	
10/1/02	6.25%	3,081.92	10,564.32	13,646.24	24,210.56
4/1/03	6.25%	-	10,468.01	10,468.01	
10/1/03	6.25%	3,274.54	10,468.01	13,742.55	24,210.56
4/1/04	6.25%	-	10,365.68	10,365.68	
10/1/04	6.25%	3,479.20	10,365.68	13,844.88	24,210.56
4/1/05	6.25%	-	10,256.93	10,256.93	
10/1/05	6.25%	3,696.64	10,256.93	13,953.59	24,210.54
4/1/06	6.25%	-	10,141.43	10,141.43	
10/1/06	6.25%	3,927.68	10,141.43	14,069.11	24,210.54
4/1/07	6.25%	-	10,018.69	10,018.69	
10/1/07	6.25%	4,173.16	10,018.69	14,191.85	24,210.54
4/1/08	6.25%	-	9,888.28	9,888.28	
10/1/08	6.25%	4,433.99	9,888.28	14,322.27	24,210.55
4/1/09	6.25%	-	9,749.72	9,749.72	
10/1/09	6.25%	4,711.11	9,749.72	14,460.83	24,210.55
4/1/10	6.25%	-	9,602.50	9,602.50	
10/1/10	6.25%	5,005.56	9,602.50	14,608.06	24,210.56
4/1/11	6.25%	-	9,446.08	9,446.08	
10/1/11	6.25%	5,318.40	9,446.08	14,764.48	24,210.56
4/1/12	6.25%	-	9,279.88	9,279.88	
10/1/12	6.25%	5,650.80	9,279.88	14,930.68	24,210.56
4/1/13	6.25%	-	9,103.29	9,103.29	
10/1/13	6.25%	6,003.98	9,103.29	15,107.27	24,210.56
4/1/14	6.25%	-	8,915.66	8,915.66	
10/1/14	6.25%	6,379.23	8,915.66	15,294.89	24,210.55
4/1/15	6.25%	-	8,716.31	8,716.31	
10/1/15	6.25%	6,777.93	8,716.31	15,494.24	24,210.55
4/1/16	6.25%	-	8,504.50	8,504.50	
10/1/16	6.25%	7,201.55	8,504.50	15,706.05	24,210.55
4/1/17	6.25%	-	8,279.45	8,279.45	
10/1/17	6.25%	7,651.65	8,279.45	15,931.10	24,210.55

EXHIBIT A
SPECIMEN

SCHEDULE OF ANNUAL DEBT SERVICE

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
4/1/18	6.25%	-	8,040.34	8,040.34	
10/1/18	6.25%	8,129.87	8,040.34	16,170.21	24,210.55
4/1/19	6.25%	-	7,786.28	7,786.28	
10/1/19	6.25%	8,637.99	7,786.28	16,424.27	24,210.55
4/1/20	6.25%	-	7,516.34	7,516.34	
10/1/20	6.25%	9,177.87	7,516.34	16,694.21	24,210.55
4/1/21	6.25%	-	7,229.54	7,229.54	
10/1/21	6.25%	9,751.48	7,229.54	16,981.02	24,210.56
4/1/22	6.25%	-	6,924.80	6,924.80	
10/1/22	6.25%	10,360.95	6,924.80	17,285.75	24,210.55
4/1/23	6.25%	-	6,601.02	6,601.02	
10/1/23	6.25%	11,008.51	6,601.02	17,609.53	24,210.55
4/1/24	6.25%	-	6,257.01	6,257.01	
10/1/24	6.25%	11,696.54	6,257.01	17,953.55	24,210.56
4/1/25	6.25%	-	5,891.49	5,891.49	
10/1/25	6.25%	12,427.58	5,891.49	18,319.07	24,210.56
4/1/26	6.25%	-	5,503.13	5,503.13	
10/1/26	6.25%	13,204.30	5,503.13	18,707.43	24,210.56
4/1/27	6.25%	-	5,090.49	5,090.49	
10/1/27	6.25%	14,029.57	5,090.49	19,120.06	24,210.55
4/1/28	6.25%	-	4,652.07	4,652.07	
10/1/28	6.25%	14,906.42	4,652.07	19,558.49	24,210.56
4/1/29	6.25%	-	4,186.24	4,186.24	
10/1/29	6.25%	15,838.07	4,186.24	20,024.31	24,210.55
4/1/30	6.25%	-	3,691.30	3,691.30	
10/1/30	6.25%	16,827.94	3,691.30	20,519.24	24,210.54
4/1/31	6.25%	-	3,165.43	3,165.43	
10/1/31	6.25%	17,879.69	3,165.43	21,045.12	24,210.55
4/1/32	6.25%	-	2,606.69	2,606.69	
10/1/32	6.25%	18,997.17	2,606.69	21,603.86	24,210.55
4/1/33	6.25%	-	2,013.03	2,013.03	
10/1/33	6.25%	20,184.49	2,013.03	22,197.52	24,210.55
4/1/34	6.25%	-	1,382.26	1,382.26	
10/1/34	6.25%	21,446.03	1,382.26	22,828.29	24,210.55
4/1/35	6.25%	-	712.08	712.08	
10/1/35	6.25%	22,786.40	712.08	23,498.48	24,210.56
		350,000.00	583,720.31	933,720.31	933,720.31

AR-1

(Form of)

ASSIGNMENT

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

Dated: _____.

"SPECIMEN"

In the presence of:

PUTNAM UNION PUBLIC SERVICE DISTRICT

\$350,000 Water Revenue Bonds,
Series 1997 A

CERTIFICATE OF SECRETARY AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, the undersigned Arthur Chestnut, Secretary of the Public Service Board (the "Board") of Putnam Union Public Service District (the "District"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of \$350,000 Putnam Union Public Service District Water Revenue Bonds, Series 1997 A (the "Bonds"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the District and delivered in the transcript of proceedings, that said documents have been duly adopted or entered by the Board, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Rules of Procedure.
2. Order of The County Commission of Kanawha County (the "County Commission") creating the District.
3. Orders of the County Commission appointing current Board members.
4. Certificate as to Oaths of Office of Board members.
5. Loan Agreement dated March 7, 1997.
6. Minutes of 1997 organizational meeting of the Board.
7. Minutes of the March 5, 1997, special meeting of the Board, wherein the Bond Resolution and the Supplemental Resolution with respect to the Bonds were adopted.
8. Bond Resolution.
9. Supplemental Resolution.
10. Evidence of the Small Cities Block Grant Agreement.

11. Evidence of the Cash Contribution from the West Virginia American Water Company.

12. PSC Final Order granting a Certificate of Convenience and Necessity and approving the borrowing.

WITNESS my signature and the official seal of the Putnam Union Public Service District as of the 7th day of March, 1997.



Secretary, Public Service Board,
Putnam Union Public Service District

(SEAL)

CHASFS3-50076

PUTNAM UNION PUBLIC SERVICE DISTRICT

**\$350,000 Water Revenue Bonds,
Series 1997 A**

CERTIFICATE OF CONSULTING ENGINEER

I, Al Cheely, Registered Professional Engineer, West Virginia License No. 4723, of Dunn Engineers, Inc., Consulting Engineers, Charleston, West Virginia, hereby certify that my firm is engineer for the construction and acquisition of certain improvements and extensions to the existing water system (herein called the "Project") of Putnam Union Public Service District (the "District") to be constructed primarily in Putnam County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the District. Capitalized words not defined herein shall have the meaning set forth in the Bond Resolution adopted by the Public Service Board of the District on March 5, 1997, and the Loan Agreement by and between the District and the West Virginia Water Development Authority (the "Authority") dated March 7, 1997.

1. The Bonds are being issued for the purpose of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing water system of the District (the "Project"); (ii) paying certain costs of issuance hereof and related costs; and (iii) funding a reserve account for the Bonds.

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 District has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy and completeness, (iv) the District has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the current rates and charges for the System as adopted by the Public Service Board of the District 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.

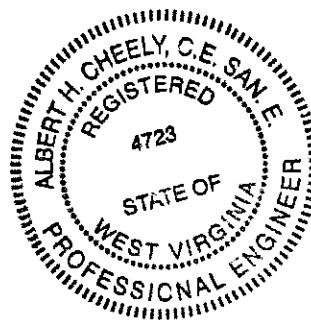
WITNESS my signature on this 7th day of March, 1997.

DUNN ENGINEERS, INC.

[SEAL]

By Albert H. Cheely
License No. 4723

CHASFS3:50079



DATE: March 5, 1997

AMENDED SCHEDULE A

NAME OF GOVERNMENTAL AGENCY Putnam Union Public Service District (Midway
TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING Water)

A. Cost of Project

1.	Construction	\$ <u>1,003,000</u>	
2.	Technical Services	\$ <u>146,165</u>	
3.	Legal and Fiscal	\$ <u>12,500</u>	
4.	Administrative	\$ <u>15,000</u>	
5.	Site and Other Lands	\$ <u>16,860</u>	
6.	Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: _____)	\$ _____	
7.	Interim Financing Costs	\$ <u>0</u>	
8.	Contingency	\$ <u>122,264</u>	
9.	Total of Lines 1 through 8		\$ <u>1,315,789</u>

B. Sources of Funds

10.	Federal Grants: ¹ (Specify Source)	<u>Small Cities</u>	\$ <u>550,000</u>	
11.	State Grants: (Specify Source)	_____	\$ _____	
		_____	\$ _____	
		_____	\$ _____	
12.	Other Grants: (Specify Source)	_____	\$ _____	
13.	Any Other Source ² (Specify)	<u>WV-American</u>	\$ <u>450,000</u>	
14.	Total of Lines 10 through 13			\$ <u>1,000,000</u>
15.	Net Proceeds Required from Bond Issue (Line 9 less Line 14)			\$ <u>315,789</u>

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

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

C. Cost of Financing

16.	Capitalized Interest (Construction period plus six months)	\$ <u>0</u>	
17.	Funded Reserve Account ³	\$ <u>24,211</u>	
18.	Other Costs ⁴	\$ <u>10,000</u>	
19.	Total Cost of Financing (Lines 16 through 18)		\$ <u>34,211</u>
20.	Size of Bond Issue (Line 15 plus Line 19)		\$ <u>350,000</u>

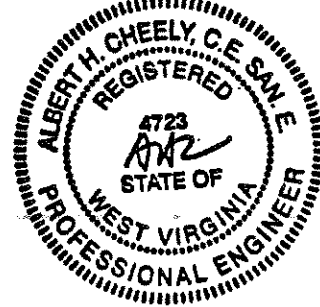
Additional or explanatory material may be provided on additional sheets attached to Amended Schedule A.



SIGNATURE OF AUTHORIZED
OFFICER OF APPLICANT



SIGNATURE OF ENGINEER



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

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

RALPH W. BASSETT, JR.

CERTIFIED PUBLIC ACCOUNTANT
1156 SOUTH MAIN STREET
MILTON, WV 25541

Phone 304-743-5573
Fax 304-743-1150

February 24, 1997

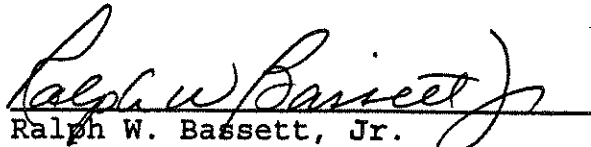
PUTNAM UNION PUBLIC SERVICE DISTRICT

\$350,000 Water Revenue Bonds, Series 1997 A

CERTIFICATE OF ACCOUNTANT AS TO COVERAGE

I, Ralph W. Bassett, Jr., Certified Public Accountant, have reviewed the water service rates approved by the Public Service Commission of West Virginia (the "PSC") and which were adopted by the Putnam Union Public Service District (the "District"), the Agreement between the District and West Virginia-American Water Company (the "Water Company"), projected operation and maintenance expenses and anticipated customer usage as furnished to us by Dunn Engineers, Inc. It is my opinion that such rates and charges, together with the payments to be made by the Water Company, will be sufficient to provide revenues which, together with other revenues of the water system (the "System") of the District, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 110% of the maximum amount required in any year for debt service on the District's Water Revenue Bonds, Series 1997 A (the "Bonds") to be issued to the West Virginia Water Development Authority and all other obligations secured by or payable from the revenues of the System on a parity with the Bonds, including all outstanding debt of the District, as defined and described in the Bond Resolution of the Issuer, adopted March 5, 1997, authorizing the Bonds.

WITNESS my signature as of the 7th day of March, 1997.


Ralph W. Bassett, Jr.
Certified Public Accountant



West Virginia-American Water Company

P.O. Box 1906 • Charleston, WV 25327-1906 • (304) 340-2009 • FAX (304) 340-2076

Michael A. Miller, CPA
Vice President and Treasurer

March 7, 1997

Putnam Union Public Service District
P. O. Box 89
Bancroft, WV 25011

Gentlemen:

West Virginia-American Water Company (the "Company") and the Putnam Union Public Service District (the "District") have entered into a Operating and Maintenance Agreement dated as of April 11, 1996 (the "Agreement") relating to the operation and use of certain water utility facilities of the District.

Pursuant to the Agreement, the Company is to pay the District an amount equivalent to the debt service on the District's Bonds ("PSD Bonds") which have been sold to the West Virginia Water Development Authority (the "WDA").

You have advised that the WDA and the District's existing Bond Resolutions require that the District maintain revenues after the payment of operating and maintenance expenses equal to 110% of the debt service payable on the District's obligations, including the PSD Bonds.

The amount to be paid by the Company pursuant to its obligation under the Agreement is not adequate for the District to meet the aforesaid coverage requirements.

Therefore, the Company agrees that it will pay an annual amount equal to 110% of the debt service requirement on the PSD Bonds provided that the amount in excess of the actual principal and interest requirements on the PSD in each year are placed in a special reserve account. This special reserve account shall be emptied once a year by taking the amount on deposit therein at the end of the bond year and applying that amount first to the interest and principal on the PSD Bonds due in the following year until the account has been reduced to zero. Obviously the Company's obligation to make payments in any year will be reduced by the amount of money being applied from the special reserve account to payment of principal and interest on the PSD Bonds.

Putnam Union Public Service District
March 7, 1997
Page 2

Our agreement to pay these extra amounts is contingent upon the provisions that we have described herein being inserted in the District's Bond Resolution, the actual application of the funds in the manner we have described and the continued validity and enforceability of the Agreement.

In the event either the Bond Resolution does not contain such provision or for one reason or another the funds are not applied as set forth herein, then our agreement to provide the excess funds shall be null and void.

Please advise if you have any questions.

Very truly yours,

WEST VIRGINIA-AMERICAN WATER COMPANY

By: Michael A. Miller

Its: V.P. & Treasurer

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 7th day of March, 1997, by and between PUTNAM UNION PUBLIC SERVICE DISTRICT, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "Governmental Agency"), and CITY NATIONAL BANK, Charleston, West Virginia, a national banking association (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its \$350,000 Putnam Union Public Service District Water Revenue Bonds, Series 1997 A (the "Series 1997 A Bonds"), in the form of one bond numbered AR-1, pursuant to a Bond Resolution and a Supplemental Resolution duly adopted March 5, 1997 (collectively the "Resolution");

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

WHEREAS, the Resolution provides for an appointment by the Governmental Agency of a Registrar for the Series 1997 A Bonds; and

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

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

1. Upon the execution of this Registrar's Agreement by the Governmental Agency and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Series 1997 A Bonds, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver the Series 1997 A 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 Series 1997 A Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Governmental Agency advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Governmental Agency with appropriate records of all transactions carried out by it as Registrar and to furnish the Governmental Agency with the names and specimen signatures of the Registrar's authorized

officers for the purposes of acting as the Registrar and with such other information and reports as the Governmental Agency may from time to time reasonably require.

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

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

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

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

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

GOVERNMENTAL AGENCY:

Putnam Union Public Service District
P. O. Box 89
Bancroft, West Virginia 25011
Attention: Chairman

REGISTRAR:

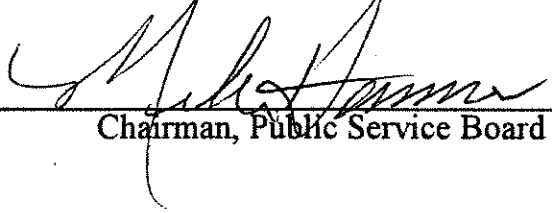
City National Bank
P. O. Box 4168
Charleston, West Virginia 25364-4168
Attention: Trust Department

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

8. The Registrar is hereby requested and authorized to authenticate and deliver the Series 1997 A Bonds in accordance with the Resolution.

IN WITNESS WHEREOF, PUTNAM UNION PUBLIC SERVICE DISTRICT and CITY NATIONAL BANK, Charleston, West Virginia, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

PUTNAM UNION PUBLIC SERVICE DISTRICT

By: 

Chairman, Public Service Board

CITY NATIONAL BANK,
as Registrar

By: 

Charles L. Jarrell, Senior Vice President

CHASFS3:51544

EXHIBIT A

(See Tab Nos. 9 and 10)

CHASFS3:51544

PUTNAM UNION PUBLIC SERVICE DISTRICT

\$350,000 Water Revenue Bonds,
Series 1996 A

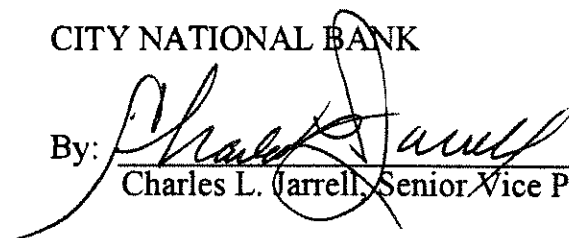
ACCEPTANCE OF DUTIES OF THE DEPOSITORY BANK

City National Bank, a national banking association, with its principal office in Charleston, West Virginia, hereby accepts appointment as the Depository Bank in connection with a Bond Resolution duly adopted by Putnam Union Public Service District on March 5, 1997, and the Supplemental Resolution adopted March 5, 1997 (collectively, the "Resolution"), authorizing issuance of the Putnam Union Public Service District Water Revenue Bonds, Series 1997 A, dated March 7, 1997, in the aggregate principal amount of \$350,000 and agrees to perform all duties of the Depository Bank in connection with such Bonds, all as set forth in said Resolution.

Witness my signature as of the 7th day of March, 1997.

CITY NATIONAL BANK

By:


Charles L. Jarrell, Senior Vice President

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION
AND DELIVERY OF THE BONDS

March 7, 1997

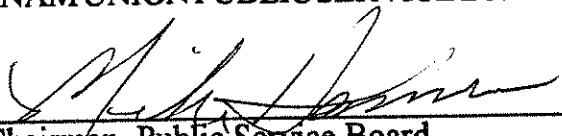
City National Bank
P. O. Box 4168
Charleston, WV 25364-4168

Ladies and Gentlemen:

We herewith hand to you, duly executed (a) \$350,000 Putnam Union Public Service District Water Revenue Bonds, Series 1997 A, in the form of one bond numbered AR-1 (the "Bonds"), authorized to be issued under and pursuant to the Bond Resolution, duly adopted by the Public Service Board (the "Board") of Putnam Union Public Service District (the "District") on March 5, 1997, and a Supplemental Resolution adopted by the Board on March 5, 1997 (collectively, the "Resolution").

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

PUTNAM UNION PUBLIC SERVICE DISTRICT

By: 
Chairman, Public Service Board

(SEAL)

Attest:


Secretary, Public Service Board

PUTNAM UNION PUBLIC SERVICE DISTRICT

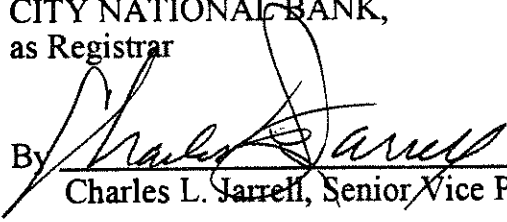
\$350,000 Water System Revenue Bonds,
Series 1997 A

CERTIFICATE OF REGISTRATION OF BONDS

I, Charles L. Jarrell, Senior Vice President, for City National Bank, Charleston, West Virginia, as Registrar (the "Registrar"), hereby certify that on the 7th day of March, 1997, (a) the bonds of Putnam Union Public Service District in the principal amount of \$350,000 designated "Putnam Union Public Service District Water Revenue Bonds, Series 1997 A" (the "Series 1997 A Bonds"), numbered AR-1, and dated as of the date hereof, were registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the District kept for that purpose at our office, by a duly authorized officer on behalf of City National Bank, Charleston, West Virginia, as Registrar.

WITNESS my signature as of the 7th day of March, 1997.

CITY NATIONAL BANK,
as Registrar

By 

Charles L. Jarrell, Senior Vice President

PUTNAM UNION PUBLIC SERVICE DISTRICT

\$350,000 Water System Revenue Bonds,
Series 1997 A

RECEIPT FOR BONDS

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

1. On the 7th day of March, 1997, in Dunbar, West Virginia, the authority received (a) the entire original issue of \$350,000 in aggregate principal amount of Putnam Union Public Service District Water Revenue Bonds, Series 1997 A (the "Bonds"), said Bonds being dated the 7th day of March, 1997; and issued in the form of one bond, fully registered to the Authority, and numbered AR-1.

2. At the time of receipt of such Bonds, they had been executed by Mike Hanna, as Chairman of the Public Service Board, by manual signature, and attested by Arthur Chestnut, as Secretary of the Public Service Board, by manual signature, and the official seal of said District had been impressed upon the Bond.

IN WITNESS WHEREOF, Barbara B. Meadows duly signed and delivered this receipt on behalf of the West Virginia Water Development Authority on the 7th day of March, 1997.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B. Meadows
Secretary-Treasurer

DISBURSEMENT REQUEST FORM

City National Bank
P.O. Box 4168
Charleston, WV 25364-4168

Re: Putnam Union Public Service District \$350,000
Water Revenue Bonds, Series 1997 A

Ladies and Gentlemen:

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

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

Very truly yours,

PUTNAM UNION PUBLIC SERVICE DISTRICT

By: _____
Authorized Officer

DUNN ENGINEERS, INC.

By: _____
Authorized Officer

Date: _____

*Invoices attached

PUTNAM UNION PUBLIC SERVICE DISTRICT

\$350,000 Water Revenue Bonds, Series 1997 A

March 7, 1997

City National Bank
P.O. Box 4168
Charleston, WV 25364-4168
Attention: Corporate Trust

Re: Designation of Authorized Representatives

Dear Sir or Madam:

You are hereby advised by Putnam Union Public Service District (the "Issuer"), that its authorized representatives to and on behalf of the Issuer regarding Putnam Union Public Service District Water Revenue Bonds, Series 1997 A, are Mike Hanna, Chairman, and Arthur Chestnut, Secretary, whose signatures are as follows:


Mike Hanna, Chairman


Arthur Chestnut, Secretary

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

Dated this 7th day of March, 1997.

PUTNAM UNION PUBLIC SERVICE DISTRICT

By:


Its Chairman

WV MUNICIPAL BOND COMMISSION

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

NEW ISSUE REPORT FORM

Date of Report: March 7, 1997

ISSUE: \$350,000 Putnam Union Public Service District Water Revenue Bonds, Series 1997A

ADDRESS: P.O. Box 89, Bancroft, WV 25011 COUNTY: Putnam

PURPOSE OF ISSUE: New Money ☒ Refunding ☐ Refunds issue(s) dated: _____

ISSUE DATE: March 7, 1997 CLOSING DATE: March 7, 1997

ISSUE AMOUNT: \$ 350,000 RATE: 6.25%

1st DEBT SERVICE DUE: October 1, 1997 1st PRINCIPAL DUE: October 1, 1997

1st DEBT SERVICE AMOUNT: \$13,719.31 PAYING AGENT: WV Municipal Bond Commission

ISSUERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme L. Gee, Esquire

Phone: (304) 340-1318

UNDERWRITERS

BOND COUNSEL: _____

Contact Person: _____

Phone: _____

CLOSING BANK: City National Bank

Contact Person: Charles Jarrell, Sr. VP

Phone: (304) 926-3300

ESCROW TRUSTEE: _____

Contact Person: _____

Phone: _____

KNOWLEDGEABLE ISSUER CONTACT:

Contact Person: Carolyn Hanson

Position: General Manager

Phone: (304) 586-9945

OTHER:

Contact Person: _____

Function: _____

Phone: _____

DEPOSITS TO MBC AT CLOSE: _____ Accrued Interest: \$ _____

_____ Capitalized Interest: \$ _____

By _____ Wire ☒ Reserve Account: \$ 24,211

☒ Check _____ Other: _____ \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By _____ Wire _____ To Escrow Trustee: \$ _____

_____ Check _____ To Issuer: \$ _____

_____ IGT _____ To Cons. Invest. Fund \$ _____

_____ To Other: _____ \$ _____

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

Documents Required: _____

Transfers Required: _____

UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

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

February 6, 1997

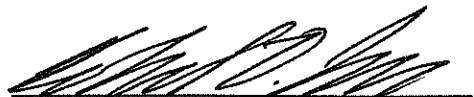
Putnam Union Public Service District
\$350,000 Water System Revenue Bonds, Series 1997 A

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative for Rural Utilities Service, United States Department of Agriculture - Rural Development, the present holder of the entire outstanding aggregate principal amount of the Putnam Union Public Service District Water Revenue Bonds, Series 1983, Water Revenue Bond, Series 1986 and Water Revenue Bond, Series 1993 (collectively, the "Prior Bonds"), hereby consents to the issuance of the Water Revenue Bonds, Series 1997 A (the "Bonds"), in the original aggregate principal amount of \$350,000, by Putnam Union Public Service District (the "Issuer") under the terms of the bond resolution authorizing the Prior Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's Prior Bonds. By granting this consent, the Government does not waive any rights it might have with respect to enforcement of the covenants granted for the Prior Bonds.

USDA - RURAL DEVELOPMENT
RURAL UTILITIES SERVICE

By:



Robert D. Lewis

Its:

State Director

**LOAN PROGRAM II
REQUISITION AS TO LOAN TO GOVERNMENTAL AGENCY**

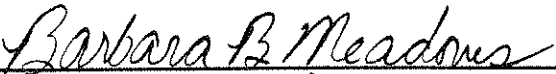
TO: One Valley Bank, National Association, Trustee

- A. Name of Governmental Agency to which payment is to be made: Putnam Union Public Service District**
- B. Total Amount to be paid: \$350,000**
- C. Certification by Water Development Authority.**

I hereby certify that under the terms and provisions of the Loan Agreement providing for the Loan to the above-captioned Governmental Agency, dated as of March 7, 1997, said Governmental Agency has sold its Water Revenue Bonds, Series 1997 A (the "Local Bond") to the Authority in the principal amount equal to the amount of the Loan set forth in (B) above, that such Governmental Agency is obligated to make Local Bond Payment and to pay Fees and Charges in accordance with Section 9.09 of the General Resolution and that such Governmental Agency is not in default under any of the terms or provisions of said Loan Agreement.

I further certify that the Local Bond Payments, and other moneys available therefor, will be sufficient to pay interest on and Principal Installments of the Local Bond, the proceeds of which were used to fund the Loan Obligation, as such interest and Principal Installments come do.

The above certification complies with Subsections 6.06(2)(a)(ii) and (v) of the General Resolution.



Authorized Representative
West Virginia Water Development
Authority

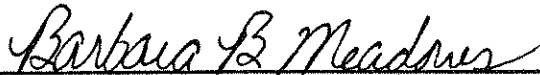
DATE: March 7, 1997

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto One Valley Bank National Association, Charleston, West Virginia, the Putnam Union Public Service District \$350,000 Water Revenue Bonds, Series 1997 A numbered AR-1, standing in the name of the West Virginia Water Development Authority on the books of registration of said Governmental Agency.

Dated: March 7, 1997.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY



Authorized Representative

CHASFS3:50097

JACKSON & KELLY
ATTORNEYS AT LAW

300 FOXCROFT AVENUE
MARTINSBURG, WEST VIRGINIA 25401
TELEPHONE 304-263-8600

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

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

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

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

1600 LAIDLEY TOWER
P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000 TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

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

175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40595
TELEPHONE 606-255-8500

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

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

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

March 7, 1997

4.1

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

Re: Putnam Union Public Service District \$350,000
Water Revenue Bonds, Series 1997 A

Ladies and Gentlemen:

We are bond counsel to Putnam Union Public Service District (the "Issuer"), a duly organized and presently existing public corporation under the laws of the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated March 7, 1997, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Issuer and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of the Putnam Union Public Service District Water Revenue Bonds, Series 1997 A of the Issuer, dated March 7, 1997 (the "Series 1997 A Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Series 1997 A Bonds are in the principal amount of \$350,000, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1, and October 1 of each year, beginning October 1, 1997, at the rate as set forth in Exhibit A incorporated in and made a part of the Series 1997 A Bonds. The Series 1997 A Bonds are on a parity as to security and source of payment with the Issuer's Water Revenue Bonds, Series 1983, Water Revenue Bonds, Series 1986 and Water Revenue Bonds, Series 1993.

The Series 1997 A Bonds are issued for the purposes of paying a portion of the costs of acquiring and constructing certain improvements and extensions to the existing public water system for the Issuer, funding the reserve fund and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Series 1997 A Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Series 1997 A Bonds have been authorized by a bond resolution (the "Resolution") and a Supplemental Resolution duly passed by the Issuer on March 5, 1997 (collectively the "Local Act"), which contain provisions and covenants substantially in the form of those set forth in the Loan Agreement. The Series 1997 A Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer and is a valid and binding special obligation of the Issuer enforceable in accordance with the respective 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 Issuer without the consent of the Authority.
3. The Issuer is a duly organized and presently existing public corporation with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Series 1997 A Bonds, all under the Local Statute and other applicable provisions of law.
4. The Issuer has legally and effectively adopted the Local Act and all other necessary resolutions and orders in connection with the issuance and sale of the Series 1997 A Bonds.

5. The Series 1997 A Bonds are valid and legally enforceable special obligations of the Issuer, payable from the net revenues of the System referred to in the Local Act and are secured by a first lien on and pledge of the net revenues of said System on a parity as to security and source of payment with each other and the Issuer's outstanding Water Revenue Bonds, Series 1983, the Water Revenue Bonds, Series 1986 and the Water Revenue Bonds, Series 1993.

6. The Issuer has reserved the right to issue additional bonds ranking on a parity with the Series 1997 A Bonds, as provided in the Local Act.

7. The interest on the Series 1997 A Bonds are excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply, on a continuing basis, with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bond set forth in the Resolution and the Certificate as to Non-Arbitrage and with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1997 A Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 1997 A Bonds to be includable in gross income retroactive to the date of issuance of the Series 1997 A Bonds. The Issuer has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences with respect to the Series 1997 A Bonds.

The Project being financed in part with the proceeds of the Series 1997 A Bonds is a qualified water project for the purposes of Section 142(a)(4) of the Code and the Issuer has received a volume cap allocation of \$350,000 from the West Virginia Development Office.

8. The Series 1997 A Bonds and the interest thereon are, by the Local Statute, exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

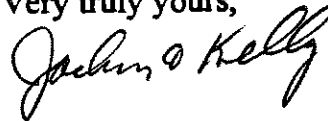
It is to be understood that the rights of the holders of the Series 1997 A Bonds and the enforceability of the Series 1997 A Bonds and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and

West Virginia Water Development Authority
March 7, 1997
Page 4

that such enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined executed Series 1997 A Bonds numbered AR-1 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 cursive script, appearing to read "Jackson O. Kelly".

CHASFS3:50106

LAW OFFICES
ROBERT R. RODECKER
1210 BANK ONE CENTER
P.O. BOX 3713
CHARLESTON, WEST VIRGINIA 25337

ROBERT R. RODECKER
JERRI P. HEISKELL
OF COUNSEL

AREA CODE 304
343-1854
TELECOPIER NUMBER
343-1857

March 7, 1997

Putnam Union Public Service District
Post Office Box 89
Bancroft, West Virginia 25011

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

Jackson & Kelly
Post Office Box 553
Charleston, West Virginia 25322

RE: Putnam Union Public Service District
\$350,000 Water Revenue Bonds, Series 1997 A

Ladies and Gentlemen:

I am counsel to the Putnam Union Public Service District ("District"). As such counsel, I have examined copies of the approving opinion of Jackson & Kelly, as Bond Counsel, relating to the above-captioned Bonds, a Bond Resolution adopted by the Public Service Board of the District on March 5, 1997, as supplemented by a Supplemental Resolution adopted March 5, 1997, (collectively, the "Resolution") and other documents relating to the above-captioned Bonds of the District. Terms used in said opinions and Resolution and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The District was duly and legally created and the members of the Public Service Board ("Board") of the District were duly and properly elected or appointed and are thereby authorized to act on behalf of the District.

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

3. The Issuer has received a Final Order from the Public Service Commission of West Virginia granting approval of the financing, including the above referenced Bonds, granting a certificate of convenience and necessity and said Order is in full force and effect and the appeal period has elapsed.

Putnam Union PSD
WV Water Development Authority
Jackson & Kelly
Page Two
March 7, 1997

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

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

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

Sincerely,

A handwritten signature in cursive script, reading "Robert R. Rodecker".

Robert R. Rodecker

RRR/bg