

SHADY SPRING PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWER FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE OF NOT MORE THAN \$2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA SRF PROGRAM), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; AUTHORIZING EXECUTION AND DELIVERY OF SAID BONDS; RATIFYING THE LOAN AGREEMENT 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 SHADY SPRING PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act, as hereafter defined and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means, collectively, Chapter 16, Article 13A and Chapter 22C, Article 2 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 and registered owner of the Series 2002 A Bonds , or any other agency of the State that succeeds to the functions of the Authority.

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

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

"Bond" or "Bonds" means, collectively, the Series 2002 A Bonds, the Prior Bonds and any parity bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Bond 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.

"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 Bond in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date upon which there is an exchange of the Series 2002 A Bonds a portion of the proceeds of the Series 2002 A Bonds from 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.

"Consulting Engineers" means L. A. Gates Company, Beckley, West Virginia, or any qualified engineer or firm of engineers licensed by the state, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System in accordance with Chapter 5G, Article 1 of the Code of West Virginia 1931, as amended.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1 .04G hereof to be a part of the cost of planning, design, acquisition and construction of the Project.

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

"DEP" means the West Virginia Department of Environmental Protection or any other agency, board or department of the State that succeeds to the functions of the DEP.

"Depository Bank" means 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, which Depository Bank shall be named in the Supplemental Resolution, 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 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 Bond, plus

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

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

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

"Governing Body" or "Board" means the public service board of the Issuer, as it 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.

"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 Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(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 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 Bonds ratably as original proceeds of the 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 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 Reserve Accounts 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 Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the 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, (the term specified private activity bonds as defined in Section 57(a)(5)(c) of the Code).

"Issuer" or "District" means the Shady Spring Public Service District, a public service district/public corporation and political subdivision of the State.

"Loan Agreement" means the Water Pollution Control Revolving Fund Bond Purchase Agreement heretofore entered into or to be entered into, by and among the Authority, the DEP and the Issuer providing for the purchase of the Series 2002 A Bonds

from the Issuer by the Authority which is attached as Exhibit B hereto and incorporated herein by reference.

"Net Proceeds" means the face amount of the Series 2002 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2002 A Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2002 A 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 Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

"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 the Project, the SRF Administrative Fee, 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 the 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.

Series 2002 A "Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents, 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 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means, collectively, the Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds, the Series 1999A Bonds, the Series 1999B Bonds of the Issuer, as described in Section 1.04J hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted August 1, 1982, June 6, 1994, April 25, 1996, June 24, 1997, November 25, 1998, December 17, 1998, and March 18, 1999, authorizing the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the System 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, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity for the Project and approving the financing for the Project and the rates for the System.

"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, 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;

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

(h) Advance-Refunded Municipal Bonds.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01(2).

"Reserve Accounts" means, collectively, the respective reserve accounts created for the Series 2002 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be in deposit in the Reserve Accounts.

"Resolution", "Bond Resolution" or "Local Act" shall mean this Resolution, as from time to time amended or supplemented.

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

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

"Series 2002 A Bonds" means the Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

“Series 2002 A Bonds Constructions Trust Fund” means the Series 2002 A Bonds Construction Trust Fund Reserve Account created by Section 5.01 hereof.

“Series 2002 A Bonds Reserve Account” means the Series 2002 A Bonds Reserve Account created by Section 5.02 hereof.

“Series 2002 A Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2002 A Bonds in the then current or any succeeding year.

“Series 2002 A Bonds Sinking Fund” means the Series 2002 A Bonds Sinking Fund created by Section 5.02 hereof.

“Sinking Funds” means, collectively, the respective sinking funds created for the Series 2002 A Bonds and the Prior Bonds.

“SRF Administrative Fee” means any administrative fee required to be paid pursuant to the Loan Agreement.

“SRF Program” means the State’s Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of governmental entities satisfying certain legal and other requirements with proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds from the State Program.

“SRF Regulations” means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

“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 Series 2002 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect the Series 2002 A Bonds and not so included may be included in another Supplemental Resolution.

“Surplus Revenues” means the Net Revenues not required by this Resolution or the Prior Resolutions to be set aside and held for the payment of or security for the Series 2002 A Bonds, the Prior Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Accounts and the Sinking Fund,.

“System” means the complete public service properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety, and shall include the Project and any extensions, additions, betterments and

improvements thereto, , hereafter acquired or constructed for the System from any sources whatsoever, both within and without the Issuer.

"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 Bond, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bond, 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 1.03. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2002 A Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds of the same series by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Findings. It is hereby found, determined and declared as follows:

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

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

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, that there be acquired and constructed certain improvements, extensions or betterments to the System, as described in Exhibit A attached hereto at an aggregate estimated cost of not more than \$2,500,000 in accordance with plans and specifications to be prepared by the

Consulting Engineers, which plans and specifications following approval by DEP will be on file with the District.

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 Series 2002 A Bonds and the Prior Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolutions and in the PSC Order.

E. The estimated maximum cost of the acquisition and construction of the Project is \$2,500,000, which will be permanently obtained from the Series 2002 A Bonds herein authorized.

F. The period of usefulness of the System after completion of the Project will not be less than forty (40) years.

G. It is deemed necessary for the Issuer to issue its Series 2002 A Bonds in the aggregate principal amount of not more than \$2,500,000 initially to be represented by a single bond, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of acquisition and construction of the Project, funding the Series 2002 A Bonds Reserve Account and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor;; the cost of interim financing for such Project; interest on the Series 2002 A Bonds, prior to, during and for six months after the estimated date of completion of acquisition and construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said construction and acquisition of the project and placing the same in operation and the financing authorized by this Resolution.

H.. It is in the best interests of the Issuer that the Series 2002 A Bonds be sold to the Authority pursuant to the terms and conditions of the Loan Agreement made a part hereof, to take advantage of the favorable terms available to the Issuer.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and issuance of the Series 2002 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired and the written approval of the West Virginia Infrastructure and Jobs Development Council.

J. There are outstanding obligations of the Issuer which will rank on a parity with the Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Series 2002 A Bond as follows:

<u>Designation</u>	<u>Lien Position</u>
Sewer Revenue Bonds, Series 1982B, August 12, 1982, issued in the original principal amount of \$795,515 (the "Series 1982 B Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1994A ,dated June 8, 1994, issued in the original principal amount of \$170,532 (the "Series 1994A Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1996A, dated April 25, 1996, issued in the original principal amount of \$151,800 (the " Series1996A Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1997C, dated June 24, 1997, issued in the original principal amount of \$2,197,304 (the "Series 1997C Bonds")	First Lien (Parity)
Sewer Revenue Refunding Bonds, Series 1997D, dated June 24, 1997, issued in the original principal amount of \$3,056,955 (the "Series 1997D Bonds")Sewer	First Lien (Parity)
Revenue Bonds, Series 1998A, dated November 25, 1998, issued in the original principal amount of\$1,202,100 (the "Series 1998A Bonds");	First Lien (Parity)
Sewer Revenue Bonds, Series 1998B, dated December 17, 1998, issued in the original principal amount of \$839,000 (the "Series 1998B Bonds")	First Lien (Parity)
Sewer Revenue Bonds, Series 1999A, dated March 18, 1999, issued in the original	First Lien (Parity)

principal amount of \$752,000
(the "Series 1999A Bonds")

Sewer
Revenue Bonds, Series 1999B,
dated March 18, 1999, issued in the original
principal amount of \$165,000
(the "Series 1999B Bonds")

First Lien (Parity)

The Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997C Bonds, the Series 1997D Bonds, the Series 1998A Bonds, the Series 1998B Bonds, the Series 1999A Bonds and the Series 1999B Bonds are hereinafter collectively called the "Prior Bonds."

The Series 2002 A Bonds shall be issued on a parity with the Prior Bonds with respect to the liens, pledge and source of and security for payment and in all other respects. The Issuer has complied with the requirements for issuance of parity bonds in the Prior Resolutions. Prior to the issuance of the Series 2002 A Bonds, the Issuer will obtain (1) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and (ii) the written consent of the holders of the Prior Bonds to the issuance of the Series 2002 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements.

There is hereby authorized the acquisition and construction of the Project at an estimated cost of \$2,500,000 in accordance with plans and specifications prepared by the Consulting Engineers, approved by DEP and the Issuer and is on file in the office of the Board. The proceeds of the Series 2002 A Bonds shall be applied as provided in Article VI hereof.

Prior to issuing the Series 2002 A Bonds, the Issuer must receive acceptable bids or enter into contracts for the acquisition and construction of the Project in an amount compatible with the financing plan submitted to the DEP.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of financing the costs, of acquisition and construction of the Project, funding the Series 2002 A Bonds Reserve Account, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than \$2,500,000 . The Series 2002 A Bonds shall be issued as one bond to be designated "Shady Spring Public Service District Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program)", and shall have such terms as set forth herein and in the Supplemental Resolution. The Series 2002 A Bonds shall be payable as to at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2002 A Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Series 2002 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached thereto, representing the aggregate principal amount of the Series 2002 A Bonds. The Series 2002 A Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bond in aggregate principal amount equal to the amount of said Bonds then Outstanding, 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 may be issued in fully registered form and in the denominations as determined by a Supplemental Resolution. Said Bonds shall be dated and shall have such terms as set forth in said Supplemental Resolution

Section 3.02 Execution of Bond. The Series 2002 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary-Treasurer. 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 has not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2002 A 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 3.08 , 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 3.04. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2002 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2002 A Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bond 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, the Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Bond, 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 the 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 the Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2002 A 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 canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other bonds issued hereunder.

Section 3.06. Bonds not to be Indebtedness of the Issuer. The Series 2002 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Holder or Owners of any of the Series 2002 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2002 A Bonds or the interest, if any, thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on the Series 2002 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on such Net Revenues 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 Prior Bonds and the Series 2002 A Bonds and to make the payments into the Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund hereinafter continued or established are hereby irrevocably pledged to such payments as the same become due.

Section 3.08. Form of Bonds. The text of the Series 2002 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 Bond)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1

\$2,419,905

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 \$2,419,905 or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2003, as set forth on the Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The SRF Administrative Fee of 0.5% shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2003, as set forth on Exhibit B attached hereto. This Bond shall bear no interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated December 10, 2001, among the Authority, the DEP and the Issuer.

This Bond is issued (i) to pay the costs of acquisition and construction of certain improvements and extensions to the sewerage system of the Issuer (the "Project"), (ii) to fully fund the Series 2002 A Bonds Reserve Account; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on the 10th day of January, 2002, and a Supplemental Resolution adopted by the Issuer on the 10th day of January, 2002 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured

equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE PRIOR BONDS OF THE ISSUER, AS DEFINED AND DESCRIBED IN THE RESOLUTION.

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 pledge of Net Revenues in favor of the holders of the Prior Bonds and moneys in the Series 2002 A Bonds Reserve Account created under the Resolution and unexpended proceeds of this Bond (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 as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Series 2002 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 to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year of principal of and interest, if any, on this Bond and all obligations on a parity with this Bond, including the Prior Bonds, provided however, that so long as there exists in the Series 2002 A Bond Reserve Account an amount equal to the maximum amount of principal and interest which will become due on this Bond in the then current year or any succeeding year and the reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, is funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Resolution. Remedies provided the registered owners of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, West Virginia, National Association, Charleston, West Virginia as registrar (the "Registrar") by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the

payment of the costs of the Project described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of 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, SHADY SPRING PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary and has caused this Bond to be dated _____, 2002.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2002 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: _____, 2002

Bank One, West Virginia, National Association,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(7) \$	
(2) \$		(8) \$	
(3) \$		(9) \$	
(4) \$		(10) \$	
(5) \$		(11) \$	
(6) \$		(12) \$	
		TOTAL \$ _____	

EXHIBIT B

DEBT SERVICE SCHEDULE

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 3.09. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Series 2002 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 Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer thereto, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery of the Loan Agreement is hereby authorized, ratified and approved.

Section 3.10. Filing of Amended Schedule. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the DEP, a schedule, the form of which will be provided by the DEP, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund; and
- (3) Series 2002 A Bonds Construction Trust Fund.

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

- (1) Series 2002 A Bonds Sinking Fund; and
- (2) Series 2002 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this 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 therein and herein provided. As long as the Prior Bonds are Outstanding, the Issuer shall make the payments required by Section 5.03A of the Prior Resolutions and simultaneously make the payments set forth hereinafter.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, make the interest payments to the Sinking Funds of the Prior Bonds required by the Prior Resolutions.

(3) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, (i) make the principal payments to the Sinking Funds of the Prior Bonds required by the Prior Resolutions and (ii) commencing 4 months prior to the first date of payment of principal of the

Series 2002 A Bonds, remit to the Commission for deposit in the Series 2002 A Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2002 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

The Issuer shall complete the "Monthly Payment Form," the form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its remittance checks to the Authority by the 5th day of such calendar month.

(4) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month, (i) make the Reserve Account payments to the reserve accounts for the Prior Bonds required by the Prior Resolutions, and (ii) commencing 4 months prior to the first date of payment of principal of the Series 2002 A Bonds, if not fully funded upon issuance of the Series 2002 A Bonds, remit to the Commission for deposit in the Series 2002 A Bonds Reserve Account, an amount equal to 1/120 of the Series 2002 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2002 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 2002 A Bonds Reserve Requirement.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously with the payments listed above, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account (such amount to be inclusive with Section 5.03A(5) of the Prior Resolutions, not in addition to). All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Interest, principal or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2002 A Bonds in accordance with the respective principal amounts then outstanding.

Moneys in the Series 2002 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2002 A Bonds as the same shall become due. Moneys in the Series 2002 A Bonds Reserve Account shall be used only for the purposes of paying principal of or interest on the Series 2002 A Bonds as the same shall come due, when other moneys in the Series 2002 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2002 A Bonds Reserve Account shall be transferred, not less than once each year, to the Series 2002 A Bonds (if fully funded) and Construction Trust Fund prior to completion of the Project and thereafter, to the Series 2002 A Bonds Sinking Fund.

Any withdrawals from the Series 2002 A Bonds Reserve Account which result in a reduction in the balance to an amount below the Series 2002 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Funds for payment of debt service on the Bonds have been made in full.

As and when additional Bonds ranking on a parity with the Series 2002 A Bonds are issued, provision shall be made for additional payments into the respective Sinking Funds sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Accounts in an amount equal to the Reserve Requirements.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Series 2002 A Bonds under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve account payments with respect to the Series 2002 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution. The Issuer shall also on the first day of the each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove 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, the Reserve Accounts, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be

considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority, make the necessary arrangements whereby such required payments shall automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.E.

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

F. 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.

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. From the moneys derived from the sale of the Series 2002 A Bonds, the following amounts shall be deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2002 A Bonds, there shall first be deposited with the Commission in the Series 2002 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

B. Next, from the proceeds of the Series 2002 A Bonds, there shall be deposited with the Commission in the Series 2002 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2002 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2002 A Bonds, such moneys shall be deposited with the Depository Bank in the Series

2002 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set for in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2002 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2002 A Bonds shall be applied as directed by DEP.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Series 2002 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Projects shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2002 A Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

- (1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, in compliance with the construction schedule; and
- (2) A certificate, signed by the Chairman 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 disbursements 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 Issuer shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Series 2002 A Bonds Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions set forth in 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 owner or owners of the Series 2002 A Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Series 2002 A 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. Bond not to be Indebtedness of the Issuer. The Series 2002 A 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 Owners of any Series 2002 A Bond shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bond or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2002 A Bonds issued hereunder shall be secured by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Prior Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make all other payments provided for in the Prior Resolutions and 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 Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the PSC Order, and such rates are hereby adopted.

So long as the Series 2002 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2002 A Bonds shall prove to be insufficient to produce the required sums set forth in this Resolution and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or the manner authorized by law, immediately adjust

and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution and the Loan Agreement.

Section 7.05 Rates. Prior to issuance of the Series 2002 A Bonds, equitable rates or charges for the use of and service rendered by the System will be 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. 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 (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2002 A Bonds, including the Prior Bonds; provided that, in the event that an amount at least equal to or in excess of the Series 2002 A Bonds Reserve Requirement is on deposit in the Series 2002 A Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 2002 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Series 2002 A Bonds.

The Issuer hereby adopts the rates and charges set forth in the PSC Order and attached hereto as Exhibit C and incorporated herein by reference.

Section 7.06. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Resolutions of the System, except as provided by the Prior Resolutions. Additionally, so long as the Series 2002 A Bonds are outstanding and except as otherwise required by law and with the consent of the Authority and the DEP, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding in accordance with Section 10.01 hereof. 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 appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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 Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the 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 Funds 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 at par, then deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$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 Owners, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. 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 7.08 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 all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the 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.

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

Section 7.08. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds payable out of the Net Revenues of the System may be issued after the issuance of the Series 2002 A Bonds, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolutions) and with the prior written consent of the Authority and DEP. No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition and construction of extensions, additions, betterments or improvements to the System or refunding any outstanding Bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (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 (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

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

The "estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer, the time for appeal of which shall have 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 Independent Certified Public Accountants, , which shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such

additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds. All the 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 owners of the Bonds and the owners of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this Section. All such Parity Bonds, 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 sources of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds created in this Resolution required for and on account of such additional Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

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 lien 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 Bonds.

No Parity Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Resolution on account of 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 the Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

Consulting Engineer Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of any contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bond. The Issuer will itself, or will require each contractor and subcontractor to, obtain and 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, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during acquisition and construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to

works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer. The Issuer shall verify such insurance prior to commencement of construction.

The Issuer shall require all contractors engaged in the acquisition and construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 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. The Issuer shall verify such bonds prior to commencement of construction.

Section 7.10. Engineering Services and Operating Personnel. The Issuer shall obtain a certificate of the 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 DEP and the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of design, 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 engineering services satisfactory to the Authority and the DEP 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. Such engineer shall certify to the Authority, the DEP and the Issuer, at the completion of construction, that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer 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 Issuer agrees that qualified operating personnel, properly certified by the State, will be employed before the Project is 50% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 50% completion stage.

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

Section 7.11. Compliance With Loan Agreements, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the planning and design of the Projects and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor shall 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 himself or herself 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 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that 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 of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off the services and facilities of the System and any services and facilities of the water system, if so owned by Issuer, to all delinquent users of the services and facilities of the System, , and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all actions to enforce collections to the maximum extent permitted by law or, if the waterworks facilities are not owned by Issuer, the Issuer will use diligent efforts to enter into a termination agreement with the provider of such water, subject to any required approval of such agreement by the PSC and all rules and regulations of the PSC.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the cost of acquisition and construction of the Project. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Projects and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they 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 other sources of financing for the Projects.

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any owner of a Bond or Bonds issued pursuant to the 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 practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer 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 Issuer shall be reported to such agent of the Issuer as the Authority shall direct.

The Issuer shall file with the Authority and DEP, and shall mail in each year to any owner or owners 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, 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 completely audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the

report of said Independent Certified Public Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service and reserve requirements.

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

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

The Issuer shall, during construction of the Project, complete the Payment Requisition Form, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

The Issuer shall permit the Authority or the DEP, or their 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 and commencement of operation of the Project, the Issuer shall also provide the Authority and the DEP, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the DEP with respect to the System pursuant to the Act.

Section 7.16. Operating Budget. 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 and the DEP 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 DEP, the Authority and to any Holder of any Bonds, within 30 days of adoption thereof and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the DEP, the Authority and any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 7.18. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Series 2002 A Bonds and shall be for the benefit of all Owners of the Series 2002 A Bonds. This lien is on a parity with the lien of the Prior Bonds.

Section 7.19. Compliance. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer shall provide the DEP with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP 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 7.20. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue producing utility in good condition and in compliance with all federal and state requirements and standards. The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of

the Project, all orders and approvals from the PSC and the West Virginia Infrastructure and Jobs Development Council necessary for acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Bonds required by State law with all requisite appeal period having expired without successful appeal.

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

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2002 A Bonds or immediately thereafter, enter into written contracts for the immediate design, acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the DEP for written approval. The Issuer shall obtain the written approval of the DEP before expending any proceeds of the Series 2002 A Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the DEP before expending any proceeds of the Series 2002 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being provided by the DEP and the Authority in any press release, publication, program, bulletin, sign or other public communication that reference the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

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.

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or

account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2002 A Bonds as a condition to issuance of the Series 2002 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2002 A Bonds as may be necessary in order to maintain the status of the Series 2002 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2002 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the DEP, as the case may be, from which the proceeds of the Series 2002 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take any such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the DEP, to ensure compliance with the covenants and agreement set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2002 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2002 A Bonds:

- (1) If default occurs in the due and punctual payment of the principal of or interest on any Series 2002 A Bonds or the Prior Bonds; or
- (2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2002 A Bonds set forth in this Resolution, any Supplemental Resolution or in the Series 2002 A 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 a default occurs under this Resolution;
- (4) If a default occurs under the Prior Resolutions; or

(5) 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 however, that all rights and remedies of the Registered Owners of the Series 2002 A Bonds shall be on a parity with those of the Registered Owners of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of Bonds 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 default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder 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 on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

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

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

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

Section 9.04. Remedies on Parity With Prior Bonds. The exercise of any remedies set forth in Sections 9.02 and 9.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Series 2002 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2002 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. Prior to issuance of the Series 2002 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2002 A Bonds, no material modification

or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2002 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2002 A 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 revenues of the System without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of 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 excludibility of interest on the Bonds from the gross income of the Owners 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 Series 2002 A 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, the Supplemental Resolution and the Series 2002 A 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. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

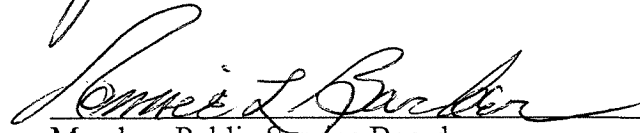
Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular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

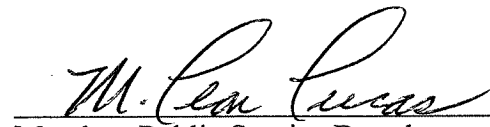
Section 11.07. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 10th day of January, 2002.

SHADY SPRING PUBLIC SERVICE DISTRICT


Member, Public Service Board


Member, Public Service Board


Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 10th day of January, 2002.

Dated: 1/10, 2002.

[SEAL]


Secretary, Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECT

The Bonds are being issued for the purpose of financing the construction of a wastewater collection system as follows: To acquire, construct, install, operate, and maintain a wastewater collection system to be comprised of approximately 600 linear feet of four(4) inch diameter gravity sewer line, 1,400 linear feet of six(6) inch diameter gravity sewer line, 12,900 linear feet of eight(8) inch diameter gravity sewer line, 3,500 linear feet of ten(10) inch diameter gravity sewer line, 93 manholes, necessary cleanouts, one(1) lift station, an emergency generator, 4,300 linear feet of six(6) inch diameter force main, four(4) air/vacuum relief valves, removal of the Oaks Subdivision wastewater treatment plant, removal of the Little Beaver State Park wastewater treatment plant, and all requisite appurtenances.

EXHIBIT B

LOAN AGREEMENT

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2002A (WEST VIRGINIA SRF PROGRAM); DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on January 10, 2002 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWER FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE OF NOT MORE THAN \$2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2002 A (WEST VIRGINIA SRF PROGRAM), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; AUTHORIZING EXECUTION AND DELIVERY OF SAID BONDS; RATIFYING THE LOAN AGREEMENT 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 Shady Spring Public Service District Sewer Revenue Bonds, Series 2002A (West Virginia SRF Program) (the "Bonds") in aggregate principal amount not to exceed \$2,500,000 in accordance with Chapter 16, Article 13A, and Chapter 22C, Article 2, of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Department of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority"), but requires that the exact principal amount, date, interest rate, maturity date, payment schedule, sale price 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; and

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 exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms 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.

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

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Bonds of the District with the following provisions:

(A) The Bonds shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of \$2,419,905. The Bonds shall be dated the date of delivery thereof and shall bear no interest. The principal of the Bonds shall be payable quarterly on September 1, December 1, March 1 and June 1 of each year, commencing September 1, 2003, and maturing June 1, 2033, in the amounts set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest and redemption premium, if any, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds. The SRF Administrative Fee equal to .05% of the principal of the Bonds set forth in the Schedule Y attached to the Loan Agreement shall be paid quarterly on September 1, December 1, March 1 and June 1 of each year commencing September 1, 2003.

(B) The 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.

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 all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the

execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed. The District hereby affirms all covenants and representations made in the Loan Agreement and in the application to the DEP and the Authority.

National Section 4. The District hereby appoints and designates *City* ~~First~~ State Bank & Trust, Beckley, West Virginia, as the Depository Bank, as provided in the Resolution.

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

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

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

Section 8. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. 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 10. 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 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.

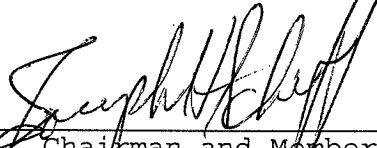
Section 11. Series 2002 A Bonds proceeds in the amount of \$80,664 shall be deposited in the Series 2002 A Bonds Reserve Account at closing. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in the Series 2002 A Bonds Construction Trust Fund, as received by the District for payment of costs of the Project, including costs of issuance of the Bonds.

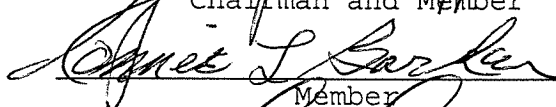
Section 12. The District hereby approves and accepts all contracts relating to the acquisition and construction of the Project.

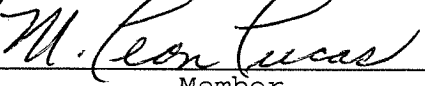
Section 13. This Supplemental Resolution shall be effective immediately upon adoption.

Adopted this 10th day of January 2002.

SHADY SPRING PUBLIC SERVICE DISTRICT


Chairman and Member


Member


Member

CERTIFICATION

Certified as a true copy of a Supplemental Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 10th day of January, 2002.

Dated: 1/10, 2002

(Seal)


Secretary, Public Service Board

AMENDED SUPPLEMENTAL RESOLUTION

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") did duly and officially adopt a Supplemental Bond Resolution on January 10, 2002 (the "Supplemental Resolution"), entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 2002A (WEST VIRGINIA SRF PROGRAM); DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, said Supplemental Bond Resolution sets out the payment dates to be paid in quarterly payments; and

WHEREAS, the West Virginia Public Service Commission did not issue an order until March 5, 2002; and

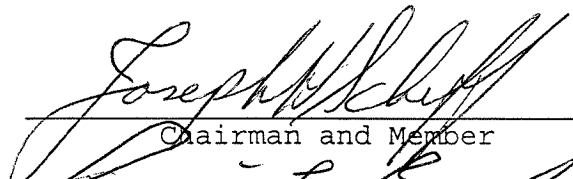
WHEREAS, said payment dates must be changed;

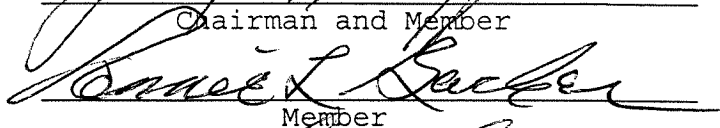
NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE SHADY SPRING PUBLIC SERVICE DISTRICT: That Section 1(A) of the Supplemental Resolution be duly amended to read as follows:

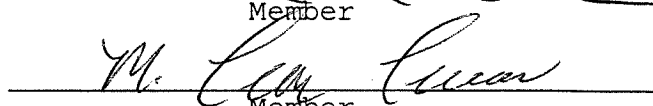
(A) The Bonds shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of \$2,419,905. The Bonds shall be dated the date of delivery thereof and shall bear no interest. The principal of the Bonds shall be payable quarterly on December 1, March 1, June 1 and September 1 of each year, commencing December 1, 2003, and maturing September 1, 2033, in the amounts set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest and redemption premium, if any, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds. The SRF Administrative Fee equal to .05% of the principal of the Bonds set forth in the Schedule Y attached to the Loan Agreement shall be paid quarterly on March 1, June 1, September 1 and December 1 of each year commencing December 1, 2003.

Adopted this 7th day of March 2002.

SHADY SPRING PUBLIC SERVICE DISTRICT


Chairman and Member


Member


Member

CERTIFICATION

Certified as a true copy of an Amended Supplemental Resolution adopted by the Public Service Board of Shady Spring Public Service District on the 7th day of March, 2002.

Dated: 7 Mar 02, 2002

(Seal)


Secretary, Public Service Board

20

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1

\$2,419,905

SPECIMEN

KNOW ALL MEN BY THESE PRESENTS: That SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 \$2,419,905 or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2003, as set forth on the Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The SRF Administrative Fee of 0.5% shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2003, as set forth on Exhibit B attached hereto. This Bond shall bear no interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated December 10, 2001, among the Authority, the DEP and the Issuer.

This Bond is issued (i) to pay the costs of acquisition and construction of certain improvements and extensions to the sewerage system of the Issuer (the "Project"), (ii) to fully fund the Series 2002 A Bonds Reserve Account; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on the 10th day of January, 2002, and a Supplemental Resolution adopted by the Issuer on the 10th day of January, 2002 (collectively, the "Resolution"), and

is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE PRIOR BONDS OF THE ISSUER, AS DEFINED AND DESCRIBED IN THE RESOLUTION.

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 pledge of Net Revenues in favor of the holders of the Prior Bonds and moneys in the Series 2002 A Bonds Reserve Account created under the Resolution and unexpended proceeds of this Bond (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 as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Series 2002 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 to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year of principal of and interest, if any, on this Bond and all obligations on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2002 A Bond Reserve Account an amount equal to the maximum amount of principal and interest which will become due on this Bond in the then current year or any succeeding year and the reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, is funded at an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Resolution. Remedies provided the registered owners of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, West Virginia, National Association, Charleston, West Virginia as registrar (the "Registrar") by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney duly authorized in writing.

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

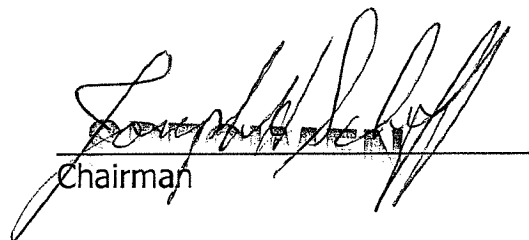
All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the costs of the Project described in the Resolution, and there shall be and hereby is created and granted a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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of 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, SHADY SPRING PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary and has caused this Bond to be dated March 8, 2002.

[SEAL]


Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2002A 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 8, 2002

Bank One, West Virginia, National Association,
As Registrar

By Lorene B. Mullins
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT		DATE	AMOUNT		DATE
(1)	\$397,485.00	MARCH 8, 2002	(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

TOTAL \$_____

Exhibit B

Shady Spring PSD, West Virginia Loan of \$2,419,905 30 Years, 0% Interest Rate, 0.5% Administrative Fee Closing Date: March 8, 2002 DEBT SERVICESCHEDULE			
Date	Principal	Coupon	Total P+I
3/01/2002	-	-	-
6/01/2002	-	-	-
9/01/2002	-	-	-
12/01/2002	-	-	-
3/01/2003	-	-	-
6/01/2003	-	-	-
9/01/2003	-	-	-
12/01/2003	20,166.00	-	20,166.00
3/01/2004	20,166.00	-	20,166.00
6/01/2004	20,166.00	-	20,166.00
9/01/2004	20,166.00	-	20,166.00
12/01/2004	20,166.00	-	20,166.00
3/01/2005	20,166.00	-	20,166.00
6/01/2005	20,166.00	-	20,166.00
9/01/2005	20,166.00	-	20,166.00
12/01/2005	20,166.00	-	20,166.00
3/01/2006	20,166.00	-	20,166.00
6/01/2006	20,166.00	-	20,166.00
9/01/2006	20,166.00	-	20,166.00
12/01/2006	20,166.00	-	20,166.00
3/01/2007	20,166.00	-	20,166.00
6/01/2007	20,166.00	-	20,166.00
9/01/2007	20,166.00	-	20,166.00
12/01/2007	20,166.00	-	20,166.00
3/01/2008	20,166.00	-	20,166.00
6/01/2008	20,166.00	-	20,166.00
9/01/2008	20,166.00	-	20,166.00
12/01/2008	20,166.00	-	20,166.00
3/01/2009	20,166.00	-	20,166.00
6/01/2009	20,166.00	-	20,166.00
9/01/2009	20,166.00	-	20,166.00
12/01/2009	20,166.00	-	20,166.00
3/01/2010	20,166.00	-	20,166.00
6/01/2010	20,166.00	-	20,166.00
9/01/2010	20,166.00	-	20,166.00
12/01/2010	20,166.00	-	20,166.00
3/01/2011	20,166.00	-	20,166.00
6/01/2011	20,166.00	-	20,166.00
9/01/2011	20,166.00	-	20,166.00
12/01/2011	20,166.00	-	20,166.00
3/01/2012	20,166.00	-	20,166.00
6/01/2012	20,166.00	-	20,166.00
9/01/2012	20,166.00	-	20,166.00
12/01/2012	20,166.00	-	20,166.00
3/01/2013	20,166.00	-	20,166.00
6/01/2013	20,166.00	-	20,166.00
9/01/2013	20,166.00	-	20,166.00

Shady Spring PSD, West Virginia Loan of \$2,419,905 30 Years, 0% Interest Rate, 0.5% Administrative Fee Closing Date: March 8, 2002 DEBT SERVICESCHEDULE			
Date	Principal	Coupon	Total P+I
12/01/2013	20,166.00	-	20,166.00
3/01/2014	20,166.00	-	20,166.00
6/01/2014	20,166.00	-	20,166.00
9/01/2014	20,166.00	-	20,166.00
12/01/2014	20,166.00	-	20,166.00
3/01/2015	20,166.00	-	20,166.00
6/01/2015	20,166.00	-	20,166.00
9/01/2015	20,166.00	-	20,166.00
12/01/2015	20,166.00	-	20,166.00
3/01/2016	20,166.00	-	20,166.00
6/01/2016	20,166.00	-	20,166.00
9/01/2016	20,166.00	-	20,166.00
12/01/2016	20,166.00	-	20,166.00
3/01/2017	20,166.00	-	20,166.00
6/01/2017	20,166.00	-	20,166.00
9/01/2017	20,166.00	-	20,166.00
12/01/2017	20,166.00	-	20,166.00
3/01/2018	20,166.00	-	20,166.00
6/01/2018	20,166.00	-	20,166.00
9/01/2018	20,166.00	-	20,166.00
12/01/2018	20,166.00	-	20,166.00
3/01/2019	20,166.00	-	20,166.00
6/01/2019	20,166.00	-	20,166.00
9/01/2019	20,166.00	-	20,166.00
12/01/2019	20,166.00	-	20,166.00
3/01/2020	20,166.00	-	20,166.00
6/01/2020	20,166.00	-	20,166.00
9/01/2020	20,166.00	-	20,166.00
12/01/2020	20,166.00	-	20,166.00
3/01/2021	20,166.00	-	20,166.00
6/01/2021	20,166.00	-	20,166.00
9/01/2021	20,166.00	-	20,166.00
12/01/2021	20,166.00	-	20,166.00
3/01/2022	20,166.00	-	20,166.00
6/01/2022	20,166.00	-	20,166.00
9/01/2022	20,166.00	-	20,166.00
12/01/2022	20,166.00	-	20,166.00
3/01/2023	20,166.00	-	20,166.00
6/01/2023	20,166.00	-	20,166.00
9/01/2023	20,166.00	-	20,166.00
12/01/2023	20,166.00	-	20,166.00
3/01/2024	20,166.00	-	20,166.00
6/01/2024	20,166.00	-	20,166.00
9/01/2024	20,166.00	-	20,166.00
12/01/2024	20,166.00	-	20,166.00
3/01/2025	20,166.00	-	20,166.00
6/01/2025	20,166.00	-	20,166.00

Shady Spring PSD, West Virginia Loan of \$2,419,905 30 Years, 0% Interest Rate, 0.5% Administrative Fee Closing Date: March 8, 2002 DEBTSERVICE SCHEDULE			
Date	Principal	Coupon	Total P+I
9/01/2025	20,166.00	-	20,166.00
12/01/2025	20,166.00	-	20,166.00
3/01/2026	20,166.00	-	20,166.00
6/01/2026	20,166.00	-	20,166.00
9/01/2026	20,166.00	-	20,166.00
12/01/2026	20,166.00	-	20,166.00
3/01/2027	20,166.00	-	20,166.00
6/01/2027	20,166.00	-	20,166.00
9/01/2027	20,166.00	-	20,166.00
12/01/2027	20,166.00	-	20,166.00
3/01/2028	20,166.00	-	20,166.00
6/01/2028	20,166.00	-	20,166.00
9/01/2028	20,166.00	-	20,166.00
12/01/2028	20,166.00	-	20,166.00
3/01/2029	20,166.00	-	20,166.00
6/01/2029	20,166.00	-	20,166.00
9/01/2029	20,166.00	-	20,166.00
12/01/2029	20,166.00	-	20,166.00
3/01/2030	20,165.00	-	20,165.00
6/01/2030	20,165.00	-	20,165.00
9/01/2030	20,165.00	-	20,165.00
12/01/2030	20,165.00	-	20,165.00
3/01/2031	20,165.00	-	20,165.00
6/01/2031	20,165.00	-	20,165.00
9/01/2031	20,165.00	-	20,165.00
12/01/2031	20,165.00	-	20,165.00
3/01/2032	20,165.00	-	20,165.00
6/01/2032	20,165.00	-	20,165.00
9/01/2032	20,165.00	-	20,165.00
12/01/2032	20,165.00	-	20,165.00
3/01/2033	20,165.00	-	20,165.00
6/01/2033	20,165.00	-	20,165.00
9/01/2033	20,165.00	-	20,165.00
Total	2,419,905.00	-	2,419,905.00

Ferris, Baker Watts

West Virginia Public Finance Office

File = Shady Spring Loans.sr-SRF 3-06-02 REVISED

3/ 6/2002 4:58 PM

JOHN T. POFFENBARGER

Attorney at Law

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707 VIRGINIA STREET EAST
CHARLESTON, WEST VIRGINIA 25301
PHONE (304) 342-1678 • FAX (304) 345-0375
email: jtpoff57@citynet.net

March 8, 2002

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

West Virginia Department of Environmental Protection
617 ½ Leon Sullivan Way
Charleston, WV 25301

Ladies and Gentlemen:

I am bond counsel to Shady Spring Public Service District (the "Local Government"), a public corporation and political subdivision of State of West Virginia in Raleigh County, West Virginia.

I have examined a certified copy of proceedings and other papers relating to the authorization of (i) a bond purchase agreement dated December 11, 2002, including all schedules and exhibits attached thereto (the "Bond Purchase Agreement"), among the Local Government, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), and (ii) the issue of a series of revenue bonds of the Local Government, dated March 8, 2002 (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Bond Purchase Agreement. The Local Bonds are issued in the principal amount of \$2,419,905, in the form of one bond, registered as to principal only to the Authority, with principal payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning December 1, 2003, and ending September 1, 2033, all as set forth in "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) servicing residential customer in the Airport Road, the Oakes Subdivision and the Community of Crow areas.

JOHN T. POFFENBARGER

March 8, 2002

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I have also examined the applicable provisions of Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted or enacted by the Local Government on January 10, 2002, as supplemented by the supplemental resolution duly adopted by the Local Government on January 10, 2002 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Bond Purchase Agreement 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 Bond Purchase Agreement.

Based upon the foregoing and upon my examination of such other documents, as I have deemed necessary, I am of the opinion as follows:

1. The Bond Purchase Agreement has been duly authorized by and executed on behalf of the Local Government and is a valid and binding special obligation of the Local Government enforceable in accordance with the terms thereof.
2. The Bond Purchase Agreement inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Local Government without the consent of the Authority and the DEP.
3. The Local Government is a duly organized and presently existing public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.
4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Local Government and constitute valid and binding obligations of the Local Government enforceable against the Local Government in accordance with the terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Bond Purchase Agreement.
5. The Local Bonds have been duly authorized, issued, executed and delivered by the Local Government to the Authority and are valid, legally enforceable and binding special obligations of the Local Government, payable

JOHN T. POFFENBARGER

March 8, 2002

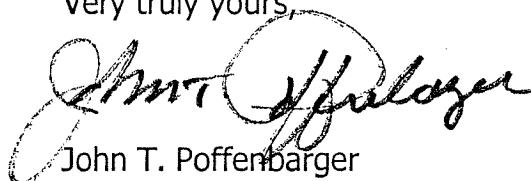
Page 3

form the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

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

I have examined the executed and authenticated Local Bond number AR-1, and in my opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

A handwritten signature in black ink, appearing to read "John T. Poffenbarger", is written over a circular stamp or seal. The signature is fluid and cursive.

John T. Poffenbarger

SHADY SPRING PUBLIC SERVICE DISTRICT

**\$2,419,905 Sewer System Revenue Bonds,
Series 2002A**

RECEIPT FOR BOND

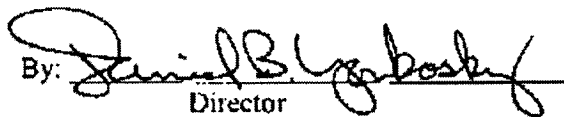
The undersigned, Daniel B. Yonkosky, Director of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, hereby certifies as follows:

1. On the 8th day of March, 2002, in Charleston, West Virginia, the Authority received the entire original issue of \$2,419,905 in aggregate principal amount of Shady Spring Public Service District Sewer System Revenue Bond, Series 2002A (the "Bond"), said Bond being dated the 8th day of March, 2002, and issued in the form of one bond, fully registered to the Authority, and numbered AR-1.

2. At the time of receipt of the Series 2002 Bond, they had been executed by Joseph Scheff, as Chairman of the Public Service Board of the District, by manual signature, and attested by Ronnie Barker, as Acting Secretary/Treasurer of the Public Service Board of the District, by manual signature, and the official seal of said District had been impressed upon the Bond.

IN WITNESS WHEREOF, Daniel B. Yonkosky duly signed and delivered this receipt on behalf of the West Virginia Water Development Authority on the 8th day of March, 2002.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: 
Director

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BONDS
SERIES 2002A

RECEIPT FOR BOND PROCEEDS

The undersigned, Joseph Scheff, Chairman of the Shady Spring Public Service District (the "District"), hereby certifies as follows:

1. The District has received and hereby acknowledges receipt from the West Virginia Water Development Authority (the "Authority"), as original purchaser of the \$2,419,905 Shady Spring Public Service District Sewer System Revenue Bonds, Series 2002A (the "Bonds"), of \$397,485.00 being more than a de minimis portion of the purchase price of the Bonds. The District understands that the remaining proceeds will be advanced to the District from time to time as construction proceeds to completion.

IN WITNESS WHEREOF, the Shady Spring Public Service District has caused this receipt to be executed by its Chairman on this 8th day of March, 2002.

SHADY SPRING PUBLIC SERVICE
DISTRICT

By:


CHAIRMAN

WV MUNICIPAL BOND COMMISSION

Suite 500

NEW ISSUE REPORT FORM

8 Capitol Street, Charleston, WV 25301

Date of Report: March 8, 2002

(304) 558-3971

ISSUE: Shady Spring Public Service District Sewer Revenue Bonds Series 2002AADDRESS: 2801 CED Shop Road COUNTY: PolkPURPOSE OF ISSUE: New Money ☒ Other: _____Refunding _____ Refunds issue(s) dated: N/AISSUE DATE: March 8, 2002 CLOSING DATE: March 8, 2002ISSUE AMOUNT: \$2,419,905 ^{117,485} RATE: 0% Administrative Fee: 5%1st DEBT SERVICE DUE: 12/1/03 1st PRINCIPAL DUE: N/A1st DEBT SERVICE AMOUNT: \$20,166.46 PAYING AGENT: WV Municipal Bond Commission - D2P

21,691

ISSUERS

UNDERWRITERS Lender'sBOND COUNSEL: John T. Poffenbarger Esq. BOND COUNSEL: Jackson & Kelly PLLCContact Person: John T. Poffenbarger Esq. Contact Person: Samme Gore Esq.Phone: (304) 342-1678Phone: 340-1318

(DEPOSITORY)

CLOSING BANK: City National Bank ESCROW TRUSTEE: N/A

Contact Person: _____ Contact Person: _____

Phone: _____ Phone: _____

KNOWLEDGEABLE ISSUER CONTACT:

OTHER:

Contact Person: Terry Smith Contact Person: _____Position: Manager Function: _____Phone: (304) 255-1565 Phone: _____

DEPOSITS TO MBC AT CLOSE:

Accrued Interest: \$ _____

By _____ Wire ☒ Capitalized Interest: \$ _____Check(s) _____ Reserve Account: \$ 80,664.00 ✓

Other: _____ \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By _____ Wire _____ To Escrow Trustee: \$ _____

Check _____ To Issuer: \$ _____

Transer _____ To Cons. Invest. Fund \$ _____

To Other: \$ _____

NOTES:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

Documents Required: 7230.33 mthly

Transfers Required: _____