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**\$1,202,100
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BONDS,
SERIES 1998A**

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SHADY SPRING PUBLIC SERVICE DISTRICT
(SRF)

BOND RESOLUTION

RESOLUTION AUTHORIZING THE CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND TO FINANCE THE COST OF SUCH CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS AND TO PAY OTHER COSTS IN CONNECTION THEREWITH, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN \$1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1998A, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; RATIFYING THE LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION 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 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 Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"ARC" means the Appalachian Regional Commission and any successors to the funds of the ARC.

"ARC Grant" means the grant from ARC in the amount of \$840,000.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of each Bond, 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.

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"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 the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A, originally authorized hereby, and any pari passu additional 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 Bond for a portion of the proceeds representing the purchase of the Bond by the Authority.

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

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

"Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01(3).

"Consulting Engineers" means L. A. Gates Company, Beckley, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the acquisition and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04G hereof to be a part of the cost of planning, design, construction of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 1998A Bond, 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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment.

"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.

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

"Loan Agreement" means the Water Pollution Control Revolving Fund Loan Agreement dated October 9, 1998, by and among the Authority, the DEP and the Issuer providing for the purchase of the 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 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Accounts. For purposes of the Private Business use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the 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 Projects, 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 Projects, 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.

"Original Bonds" or "Bonds" means not to exceed \$1,300,000 Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A.

"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 the District's Sewer Revenue Bonds, Series 1982B, issued in the original principal amount of \$795,515 (the "Series 1982B Bonds"), the District's Sewer Revenue Bonds, Series 1994A, issued in the original principal amount of \$170,532 (the "Series 1994A Bonds") the District's Sewer Revenue Bonds, Series 1996A, issued in the original principal amount of \$151,800 (the "1996A Bonds,") the District's Sewer Revenue Bonds, Series 1997B, issued in the original principal amount of \$179,000 (the "Series 1997B Bonds") the District's Sewer Revenue Bonds, Series 1997C Bond issued in the original principal amount of \$2,500,000 (the "Series 1997C Bonds") the District's Sewer Refunding Revenue Bonds, Series 1997D issued in the original principal amount of 3,056,954.52 (the "Series 1997D Bonds") and collectively with the Series 1982B Bonds, Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C Bonds, and the Series 1997D Bonds (the "Prior Bonds").

"Prior Resolutions" means the Bond Resolutions adopted by the Board with respect to the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the

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

"Program" shall mean the acquisition and construction of certain extensions, betterments and improvements to the sewerage facility program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" means the construction of certain extensions, additions, betterments and improvements to the sewerage facility by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

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

"PSC Order" means the recommended decision of the PSC in Case No. 98-0166-PSD-CN which grants the Issuer approval of financing and approval of rates and the Corrective Order dated November 5, 1998.

"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 State Board of Investments 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 Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

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

"Resolution" 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).

"SRF Administrative Fee" means any administrative fee required to be paid pursuant to the Loan Agreements.

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

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

"Series 1982 B Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(N) issued August 1, 1982, in the original amount of \$795,515.

"Series 1994 A Bonds" means the Sewer Revenue Bonds of Issuer described in Section 1.04(N) issued June 8, 1994, in the original amount of \$170,532.

"Series 1996A Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(N) issued April 25, 1996, in the original amount of \$151,800.

"Series 1997B Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(N) issued June 24, 1997, in the original amount of \$179,000.

"Series 1997C Bonds" means the Sewer Revenue Bonds of the Issuer described in Section 1.04(N) issued June 24, 1997, in the original amount of \$2,197,304.

"Series 1997D Bonds" means the Sewer Revenue Refunding Bonds of the Issuer described in Section 1.04(N) issued June 24, 1997, in the original amount of \$3,052,954.52.

"Sinking Fund" means the Sinking Fund established by Section 5.02(1) hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by this Resolution or the Prior Resolutions to be set aside and held for the payment of or security for the 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 Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Projects.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto, both within and without the boundaries of the District, and shall include any extensions, additions, betterments and improvements thereto, including the facility, hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without said District.

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

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

A. The Issuer is a 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, the Project, consisting of certain improvements, extensions or betterments to the existing System, as described in Exhibit A attached hereto at an aggregate estimated cost not to exceed \$1,300,000 in accordance with plans and specifications to be prepared by the Consulting Engineers, which plans and specifications have been approved by DEP are 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 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 aquisition and construction of the Project is \$2,062,100, which will be permanently obtained from the Bonds herein authorized and an ARC Grant. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Costs of the Projects.

F. The period of usefulness of the System after completion of the Projects will not be less than twenty (20) years.

G. It is deemed necessary for the Issuer to issue its sewer revenue bonds in the aggregate principal amount of not more than \$1,300,000 initially to be represented by a single bond, being the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A, to permanently finance the costs of construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the construction of the Project and such replacements as are necessary therefor; the Tap Fee; the cost of interim financing for such Project; interest on the bonds, prior to, during and for six months after the estimated date of completion of construction of the Project if any; 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 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 1998A Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

I. It is in the best interest of the Issuer that the Series 1998A Bond be secured by and payable from the Net Revenue of the System on a parity with the Prior Bonds.

J. It is in the best interests of the Issuer that its Series 1998A Bonds be sold to the Water Development Authority pursuant to a Loan Agreement and made a part hereof, to take advantage of the favorable terms available to the Issuer.

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

L. There are outstanding obligations of the Issuer which will rank either on a parity with or junior or subordinate to the Bond as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Bond as follows:

<u>Designation</u>	<u>Lien Position</u>
Water Development Authority - Sewer Revenue Bonds, Series 1982B dated August 1, 1982, issued in the original principal amount of \$795,515 (the "Series 1982 B Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1994A dated June 6, 1994, issued in the original principal amount of \$170,532 (the "Series 1994A Bonds");	First Lien (Parity)
Water Development Authority - Sewer Revenue Bonds, Series 1996A dated April 25, 1996, issued in the original principal amount of \$151,800 (the "1996A Bonds").	First Lien (Parity)
United States Department of Agriculture Rural Utilities Service - Sewer Revenue Bonds, Series 1997B dated June 24, 1997, issued in the original principal amount of \$179,000	First Lien (Parity)

(the "Series 1997B Bonds")

Water Development Authority - 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)

Water Development Authority - Sewer
Revenue Refunding Bonds, Series 1997D
dated June 24, 1997, issued in the original
principal amount of \$3,056,954.52
(the "Series 1997D Bonds");

First Lien (Parity)

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

The 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. 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.

O. The Issuer has, by certification from an independent certified public accountant, met the parity test of Section 7.07 of the Prior Resolutions.

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 construction of the Project 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.

Prior to issuing the Bonds for the construction of the Project, the Issuer must receive acceptable bids or enter into contracts for the construction of the Project, compatible with the financing plan submitted to the DEP/WDA.

ARTICLE III

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

Section 3.01. Authorization of Bond. For the purposes of financing a portion of the costs, not otherwise provided, of the construction of the Project, funding a reserve account for the Bond, 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 \$1,300,000 for the Series 1998A Bond. Said Bonds shall be issued as one bond to be designated "Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A." Original Bonds shall be dated as of the date of delivery thereof, shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of completion, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Bonds shall be as set forth on Schedule Y to the Loan Agreement. The Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Bonds.

The Bonds shall be payable as to principal 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 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 Bond shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. 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, in the denomination of \$5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bond. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bonds to the Authority, the District covenants that the Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority and/or DEP.

Section 3.04. Execution of Bond. The Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary-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 Series 1998A Bond 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 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive 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 Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

The 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 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe

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

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service on all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien 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 Bonds and to make the payments into the Sinking Funds, the Reserve Account therein and in the Renewal and Replacement Fund hereinafter continued or established and to make the payments requested by this Resolution, the Prior Resolutions, and are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due.

Section 3.10. Form of Series 1998A Bond. The text of the Series 1998A Bond 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.

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BOND, SERIES 1998A

No. R-1

\$1,202,100

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 \$1,202,100 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 installments on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March in each year beginning June 1, 2000, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of zero percent (0%) per annum as set forth on said Exhibit B. The SRF Administrative Fee of 1% shall also be payable quarterly on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March of each year beginning June 1, 2000 as set forth on Exhibit B attached hereto.

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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated October 9, 1998 among the Authority, the DEP and the Issuer.

This Bond is issued in the aggregate principal amount of \$1,202,100 (i) to pay the costs of construction of certain improvements and extensions to the existing sewerage system of the Issuer (the "Project"; (ii) to fund the 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 of the Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the Issuer on the 6th day of November, 1998, and a Supplemental Resolution adopted by the Issuer on the 6th day of November, 1998 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED 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 Reserve Account created under the Resolution and unexpended proceeds of the 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 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 amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest, if any, on all obligations on a parity with or prior to the Bonds including the Prior Bonds payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on said Bond in the then current year or any succeeding year and the reserve account for any other obligations outstanding on a parity with the 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 the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, National Association, 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 and interest on this Bond.

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

IN WITNESS WHEREOF, 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-Treasurer, and has caused this Bond to be dated
November 6, 1998.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998A 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: November 6, 1998.

_____, 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"

Shady Spring PSD, WV

SRF Loan No. C-544202

\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

Shady Spring PSD, WV

SRF Loan No. C-544202

\$1,202,100, 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total Pay
6/01/2010	15,026.25	-	15,026.25
9/01/2010	15,026.25	-	15,026.25
12/01/2010	15,026.25	-	15,026.25
3/01/2011	15,026.25	-	15,026.25
6/01/2011	15,026.25	-	15,026.25
9/01/2011	15,026.25	-	15,026.25
12/01/2011	15,026.25	-	15,026.25
3/01/2012	15,026.25	-	15,026.25
6/01/2012	15,026.25	-	15,026.25
9/01/2012	15,026.25	-	15,026.25
12/01/2012	15,026.25	-	15,026.25
3/01/2013	15,026.25	-	15,026.25
6/01/2013	15,026.25	-	15,026.25
9/01/2013	15,026.25	-	15,026.25
12/01/2013	15,026.25	-	15,026.25
3/01/2014	15,026.25	-	15,026.25
6/01/2014	15,026.25	-	15,026.25
9/01/2014	15,026.25	-	15,026.25
12/01/2014	15,026.25	-	15,026.25
3/01/2015	15,026.25	-	15,026.25
6/01/2015	15,026.25	-	15,026.25
9/01/2015	15,026.25	-	15,026.25
12/01/2015	15,026.25	-	15,026.25
3/01/2016	15,026.25	-	15,026.25
6/01/2016	15,026.25	-	15,026.25
9/01/2016	15,026.25	-	15,026.25
12/01/2016	15,026.25	-	15,026.25
3/01/2017	15,026.25	-	15,026.25
6/01/2017	15,026.25	-	15,026.25
9/01/2017	15,026.25	-	15,026.25
12/01/2017	15,026.25	-	15,026.25
3/01/2018	15,026.25	-	15,026.25
6/01/2018	15,026.25	-	15,026.25
9/01/2018	15,026.25	-	15,026.25
12/01/2018	15,026.25	-	15,026.25
3/01/2019	15,026.25	-	15,026.25
6/01/2019	15,026.25	-	15,026.25
9/01/2019	15,026.25	-	15,026.25
12/01/2019	15,026.25	-	15,026.25
3/01/2020	15,026.25	-	15,026.25
Total	1,202,100.00	-	1,202,100.00

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = SRFSHADY-091798- SINGLE PURPOSE

9/17/1998 4:13 PM

Shady Spring PSD, WV

SRF Loan No. C-544202

\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars.....	\$13,830.83
Average Life.....	11.506 Years
Average Coupon.....	-
Net Interest Cost (NIC).....	-
True Interest Cost (TIC).....	-6.73E-10
Bond Yield for Arbitrage Purposes.....	-6.73E-10
All Inclusive Cost (AIC).....	0.8740781%

IRS FORM 8038

Net Interest Cost.....	-
Weighted Average Maturity.....	11.506 Years

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = SRFSHADY-091798- SINGLE PURPOSE

9/17/1998 4:13 PM

Form of Assignment

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

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

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary-Treasurer 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 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers, in the form attached to the SRF Loan Agreement, to the effect that the Project has been designed as provided in the Program application and will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, that the Project will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of the construction of the Project.

Section 3.13. Amended Schedule A Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority its schedule, in substantially the form of "Amended Schedule A" to the Loan Agreement, 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 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 (or continue pursuant to Prior Resolutions):

- (1) Revenue Fund;

- (2) Renewal and Replacement Fund;
- (3) Bond Construction Trust Fund.

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

- (1) Series 1998A Bond Sinking Funds;
 - (a) Within the Series 1998A Bond Sinking Funds, the Series 1998A Bond 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 created pursuant to Section 5.03 of the Prior Resolutions and which is continued hereby. 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 fifteenth day of each month commencing on the fifteenth day of the month following the month of delivery of the Series 1998A Bonds, make the payments required by Section 5.03A(2) of the Prior Resolutions and (a) commencing on the first day of each month simultaneously with the payments required by this Section, 4 months prior to the first date of payment of interest on the Series 1998A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998A Bond Sinking Fund, a sum equal to 1/3rd of the amount of interest which will mature and become due on said Series 1998A Bond on the next ensuing quarterly payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998A Bond Sinking Fund and the next quarterly payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly payment date.

(3) Next from the moneys in the Revenue Fund, the Issuer shall (a) commencing on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Series 1998A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998A Bond Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1998A Bond 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 1998A Bond 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 6th day of such calendar month.

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 5.03 A(4) of the Prior Resolution and simultaneously therewith (a) commencing on the first day of each month, 4 months prior to the first date of payment of principal of the Series 1998A Bond, if not fully funded upon issuance of the Series 1998A Bond, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1998A Reserve Account, an amount equal to 1/120 of the Series 1998A Reserve Requirement; provided, that no further payments shall be made into the Series 1998A 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 1998A Reserve Requirement; payment shall be made unless fully funded.

(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 the Series 1998A Bond 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.

Moneys in the Series 1998A Bond Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998A Bond as the same shall become due. Moneys in the Series 1998A Bond Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Series 1998A Bond as the same shall come due, when other moneys in the Sinking Funds are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Projects and thereafter, to the Sinking Fund.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to an amount below the 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 Bond have been made in full.

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

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

The payments into the Sinking Funds shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution. If required by the Authority at anytime, 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 Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

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, including the Reserve Account therein, 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 Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

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 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.

I. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

Section 5.04. Excess Bond Proceeds. The Issuer shall place any proceeds from the Bonds not required for the Project Costs in the respective Reserve Account to the extent that the balances therein are not equal to the respective Reserve Requirements.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. The moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the Bond Construction Trust Fund established in Section 5.01(3) hereof.

The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Projects and until so transferred or expended, are hereby pledged as additional security for the Bonds.

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 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 Bond 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, 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 Projects and constitutes a Cost of the Projects;

(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 Bond 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 Bond as if they were set forth in full in this Resolution. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners of the Bond 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 Bond 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 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 Original Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Prior Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Account therein, and 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. Rates. Prior to issuance of the Original Bond, 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 Bond; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and is funded at least at the requirement provided for in the Resolution, 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 Original Bond.

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 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Projects and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Upon completion of the Projects, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Projects and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law and the terms of the Prior Resolutions, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Bonds and Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 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 at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the 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, par, or otherwise 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 sixty-six and two-thirds percent (66 2/3%) in amount 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 prior, 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 prior obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

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

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the Net Revenues of the System may be issued without the prior written consent of the Authority and DEP. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of 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 Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, 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 any increase in rates enacted 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 Consulting Engineers, 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 Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

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

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.

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Projects as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Projects; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Projects, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

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 construction 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 Projects, 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 construction of the Projects 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 require all contractors engaged in the construction of the Projects 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 Projects covered by the particular contract as security for the faithful performance of such contract.

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident 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 resident engineer shall certify to the Authority, the DEP and the Issuer, at the completion of construction, that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. 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 25% 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 25% 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 acquisition and construction 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; 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 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, or of the waterworks system or sewerage system constituting a part thereof, 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 both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

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 Facilities. The Issuer shall keep complete and accurate records of the cost of construction of the Projects. 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 construction and installation of the Projects, the operation and maintenance of the System and the administration of the Loan Agreement 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 of the System at all reasonable times following completion of 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 currently 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 Consulting Engineers and 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 OMB Circular 128, or any successor thereto, and the Single Audit Act and shall mail upon request, and make available generally, the report of the 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 requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Projects and for two years following the completion of the Projects, 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 Projects, complete Payment Requisition Forms, 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 Projects site and Projects facilities at all reasonable times. Prior to, during and after completion of construction of the Projects, 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 Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for

operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

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 30 day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 7.18. 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 Bonds and shall be for the benefit of all Owners of the Bonds. This lien is on a parity with the lien of the Prior Bonds.

Section 7.19. Compliance. 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 construction of the Projects and the operation, maintenance and use of the System.

Section 7.20. Completion of Projects; Permits and Orders. The Issuer will complete the Projects as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

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 (17CRF Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Sections 8.02 and 8.03.

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.

ARTICLE IX

DEFAULT AND REMEDIES

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

- (1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds or 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 Bonds set forth in this Resolution, any Supplemental Resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Construction Trust Fund 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 shall be subject to 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

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all 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 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal

or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

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

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.

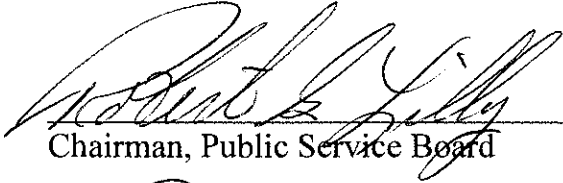
Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution except for the Prior Resolutions, are, to the extent of such conflict, hereby repealed and to the extent that a conflict arises between this Resolution and the Prior Resolutions, the more restrictive provision shall prevail.

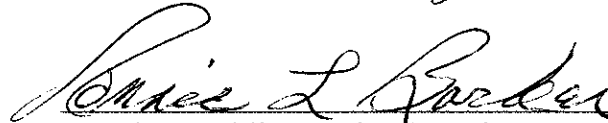
Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular 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 6th day of November, 1998.

SHADY SPRING PUBLIC SERVICE DISTRICT


Chairman, 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 6th day of November, 1998.

Dated: November 6, 1998.

[SEAL]


Secretary, Public Service Board

EXHIBIT "A"

The Bonds are being issued for the purpose of construction of improvements to the existing wastewater treatment plant. The plant capacity will be increased by 400,000 gallons per day to a capacity of 1,200,000 gallons per day. Improvements include a headworks structure, aeration/sludge holding tank, clarifier, effluent disinfection structure and equipment and sludge processing equipment.

EXHIBIT "B"

SRF-LP-1
(August 1998)

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION, a division of the West Virginia Bureau of Environment (the "DEP"), and the local government designated below (the "Local Government").

SHADY SPRING PUBLIC SERVICE DISTRICT
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 20, Article 5I, of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

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

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

1.5 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Loan Agreement.

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

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

1.8 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.9 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

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

1.11 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

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

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

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

2.9 The Local Government shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and 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, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government 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 Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

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

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

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

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

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

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

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountants for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions established by federal and state regulations as set forth in Exhibit E hereto at such times as are set forth in Exhibit E.

ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the written consent of the Authority and DEP; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

(vii) That the Local Government will not render any free services of the System;

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

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

(xii) That the Local Government shall annually adopt 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 DEP within 30 days of adoption thereof;

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

not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider.

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

4.2 The Loan shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the Authority monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to make any loans shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to make the Loan.

recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Loan.

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

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

6.6 The Local Government hereby agrees to give the Authority and DEP prior written notice of the issuance by it of any other obligations to be used for the Project, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

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

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Loan made under this Loan Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the legislature or otherwise being available to make the Loan. In the event funds are not appropriated or otherwise available to make all of the Loan, the responsibility of the Authority and DEP to make all the Loan is terminated; provided further that the obligation of the Local Government to repay the amount of the Loan made by the Authority and DEP as set forth in (iii) above is not terminated due to such non-funding on any balance on the Loan. The DEP agrees to use its best efforts to have the amount contemplated under this Loan Agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default under the Loan Agreement.

EXHIBIT A

[Form of Performance Certificate]

[TO BE PROVIDED BY DEP]

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 9th day of Oct., 1998.

L. A. Gates Company

By

R. Lynn Long

West Virginia License No. 5659

[SEAL]

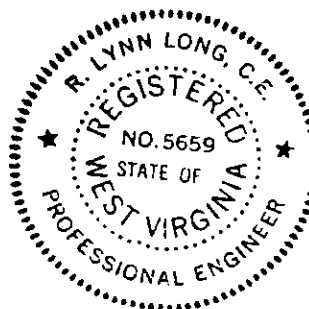


EXHIBIT F

[Monthly Payment Form]

West Virginia Water Development
Authority
180 Association Drive
Charleston WV 25311-1571

Re: [Name of bond issue]

Dear Sirs:

The following deposits were made to the West Virginia Municipal Bond
Commission on behalf of [Local Government] on _____, __.

Sinking Fund:

Interest \$_____

Principal \$_____

Total: \$_____

Reserve Fund: \$_____

Witness my signature this ____ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

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

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

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

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

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

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

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

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

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

Very truly yours,

Shady Spring PSD, WV

SRF Loan No. C-544202

\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

EXHIBIT "C"

Shady Spring PSD, WV

SRF Loan No. C-544202

\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total Pmt
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

Ferris, Boker Watts, Inc.

West Virginia Public Finance Department

File = SRFSHADY-091798- SINGLE PURPOSE

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Shady Spring PSD, WV
SRF Loan No. C-544202
\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total Pmt
6/01/2010	15,026.25	-	15,026.25
9/01/2010	15,026.25	-	15,026.25
12/01/2010	15,026.25	-	15,026.25
3/01/2011	15,026.25	-	15,026.25
6/01/2011	15,026.25	-	15,026.25
9/01/2011	15,026.25	-	15,026.25
12/01/2011	15,026.25	-	15,026.25
3/01/2012	15,026.25	-	15,026.25
6/01/2012	15,026.25	-	15,026.25
9/01/2012	15,026.25	-	15,026.25
12/01/2012	15,026.25	-	15,026.25
3/01/2013	15,026.25	-	15,026.25
6/01/2013	15,026.25	-	15,026.25
9/01/2013	15,026.25	-	15,026.25
12/01/2013	15,026.25	-	15,026.25
3/01/2014	15,026.25	-	15,026.25
6/01/2014	15,026.25	-	15,026.25
9/01/2014	15,026.25	-	15,026.25
12/01/2014	15,026.25	-	15,026.25
3/01/2015	15,026.25	-	15,026.25
6/01/2015	15,026.25	-	15,026.25
9/01/2015	15,026.25	-	15,026.25
12/01/2015	15,026.25	-	15,026.25
3/01/2016	15,026.25	-	15,026.25
6/01/2016	15,026.25	-	15,026.25
9/01/2016	15,026.25	-	15,026.25
12/01/2016	15,026.25	-	15,026.25
3/01/2017	15,026.25	-	15,026.25
6/01/2017	15,026.25	-	15,026.25
9/01/2017	15,026.25	-	15,026.25
12/01/2017	15,026.25	-	15,026.25
3/01/2018	15,026.25	-	15,026.25
6/01/2018	15,026.25	-	15,026.25
9/01/2018	15,026.25	-	15,026.25
12/01/2018	15,026.25	-	15,026.25
3/01/2019	15,026.25	-	15,026.25
6/01/2019	15,026.25	-	15,026.25
9/01/2019	15,026.25	-	15,026.25
12/01/2019	15,026.25	-	15,026.25
3/01/2020	15,026.25	-	15,026.25
Total	1,202,100.00	-	1,202,100.00

Ferris, Baker Watts, Inc.
West Virginia Public Finance Department

File = SRFSHADY-091798- SINGLE PURPOSE
9/17/1998 4:13 PM

Shady Spring PSD, WV

SRF Loan No. C-544202

\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

YIELD STATISTICS

Bond Year Dollars.....	\$13,830.83
Average Life.....	11.506 Years
Average Coupon.....	-
Net Interest Cost (NIC).....	-
True Interest Cost (TIC).....	-6.73E-10
Bond Yield for Arbitrage Purposes.....	-6.73E-10
All Inclusive Cost (AIC).....	0.8740761%

IRS FORM 8038

Net Interest Cost.....	-
Weighted Average Maturity.....	11.506 Years

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = SRFSHADY-091798- SINGLE PURPOSE

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SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS, SERIES 1998A; DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK; APPROVING LOAN AGREEMENT WITH RESPECT TO THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board of the Shady Spring Public Service District (the "District") has duly and officially adopted a Bond Resolution on November 6, 1998 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF SHADY SPRING PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN \$1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BOND, SERIES 1998A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BOND; RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BOND; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998B (the "Bond") in aggregate principal amount not to exceed \$1,300,000 in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bond should be established by a supplemental resolution;

WHEREAS, the Bond is 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 prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bond be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bond be herein provided for.

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

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

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bond shall be in the aggregate principal amount of \$1,202,100 with the following provisions:

(A) The Bond shall be originally issued in the form of a single bond, numbered R-1 in the principal amount of \$1,202,100. The Bond shall be dated the date of delivery thereof, shall bear interest at the rate of zero percent (0%) per annum from the date of delivery to and including 2020, which principal shall be payable quarterly on June 1, September 1, December 1 and March 1 of each year commencing June 1, 2000, shall be subject to redemption upon the written consent of the Authority and DEP, the interest is 0%, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bond. The SRF 1% Administrative Fee shall be paid quarterly.

(B) The Bond 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 Bond shall be as provided in the Resolution, and the Bond 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 Bond by the Chairman shall be conclusive evidence of such approval.

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

Section 4. The District hereby appoints and designates 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 Bond.

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

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 Bond hereby and by the Resolution approved and provided for, to the end that the Bond may be delivered to the Authority pursuant to the Loan Agreement on or about November 6, 1998.

Section 8. The financing of the Project in part with proceeds of the Bond 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.

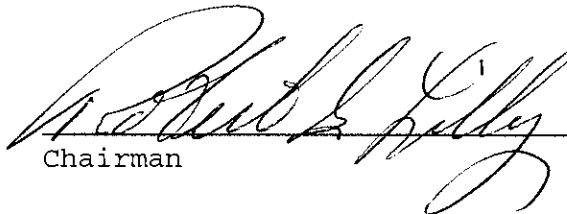
Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District shall not permit at any time or times any of the proceeds of the Bond or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bond 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 Bond 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. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: November 6, 1998

SHADY SPRING PUBLIC SERVICE DISTRICT


Chairman

[SEAL]


Secretary/Treasurer

**RESOLUTION OF THE SHADY SPRING PUBLIC SERVICE DISTRICT APPROVING
INVOICES RELATING TO CONSTRUCTION AND OTHER
SERVICES FOR THE PROPOSED
SEWERAGE SYSTEM PROJECT AND AUTHORIZING
PAYMENT THEREOF**

WHEREAS, The Shady Spring Public Service District has reviewed the invoices attached hereto and incorporated herein by reference relating to the construction of the **SEWERAGE** System Project (Project) funded by the Sewer System Revenue Bonds, Series 1998A and an ARC Grant and finds as follows:

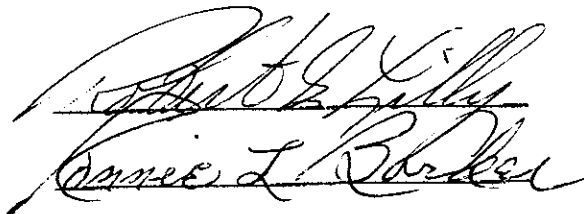
- (a) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;
- (b) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the services for the Project;
- (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.

NOW, THEREFORE, BE IT RESOLVED by the Shady Spring Public Service District as follows:

There is hereby authorized and directed the payment of the attached invoices as summarized as follows:

L. A. Gates Engineers and Consultants	\$72,502.00
Anderson, Parkulo & Stansbury	\$ 2,338.00
Administrative	\$ 218.00
Permits	\$ 495.00
Miscellaneous	\$ 925.00
Reserve Fund	\$60,105.00
Bond Counsel - John T. Poffenbarger	<u>\$10,000.00</u>
Total	\$146,583.00

Adopted by the Shady Spring Public Service District at a meeting held on the 6th day of November, 1998.



SRF-LP-1
(August 1998)

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION, a division of the West Virginia Bureau of Environment (the "DEP"), and the local government designated below (the "Local Government").

SHADY SPRING PUBLIC SERVICE DISTRICT

(Local Government)

WITNESSETH:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 20, Article 5I, of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of

wastewater treatment projects by such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

WHEREAS, the Local Government constitutes a local government as defined by the Act;

WHEREAS, the Local Government is included on the DEP State Project Priority List and the Intended Use Plan and has met DEP's pre-application requirements for the Program;

WHEREAS, the Local Government is authorized and empowered by the statutes of the State to construct, operate and improve a wastewater treatment project and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Local Government;

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

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

WHEREAS, having reviewed the Application and the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "fund," "local government," and "project" have the definitions and meanings ascribed to them in the Act or in the SRF Regulations.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

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

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

1.5 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Loan Agreement.

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

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

1.8 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.9 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

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

1.11 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

ARTICLE II

The Project and the System

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

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Local Government, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property is approved by DEP and the Authority.

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

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

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

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

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

2.9 The Local Government shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and 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, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government 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 Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

2.10 The Local Government shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government 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 Local Government agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of this Loan Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 25% completion stage.

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

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

2.13 The Local Government, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward the Form to DEP in compliance with the Local Government's construction schedule.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

(a) The Local Government shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Loan will be expended and the procedures as to the disbursement of loan proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

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

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

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

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

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

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

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountants for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

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

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

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

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

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for loans to finance wastewater treatment projects and that the obligation of the Authority to make any such loan is subject to the Local Government's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other local governments set out in the State Project Priority List, as defined in the SRF Regulations. The

Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions established by federal and state regulations as set forth in Exhibit E hereto at such times as are set forth in Exhibit E.

ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the net revenues from the System;

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

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

(iv) That, except as otherwise required by State law or the Regulations, the System may be sold, mortgaged, leased or otherwise disposed of as a whole or substantially as a whole provided that the net proceeds to be realized from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the local bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

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

on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the written consent of the Authority and DEP; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

(vii) That the Local Government will not render any free services of the System;

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

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

(xii) That the Local Government shall annually adopt 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 DEP within 30 days of adoption thereof;

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

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

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

(xvi) That the Local Government 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 West Virginia Municipal Bond Commission (the "Commission") its required interest, principal and reserve fund payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check to the Authority by the 5th day of such calendar month;

(xvii) That the Commission shall serve as paying agent for all Local Bonds;

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

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

(xx) That the Local Government shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will

not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider.

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

4.2 The Loan shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the Authority monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to make any loans shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to make the Loan.

ARTICLE V

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

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

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

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to Section 4.2 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by local governments in the terms and covenants of loan agreements, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have

recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Loan.

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

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

6.6 The Local Government hereby agrees to give the Authority and DEP prior written notice of the issuance by it of any other obligations to be used for the Project, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

7.7 This Loan Agreement shall terminate upon the earlier of:

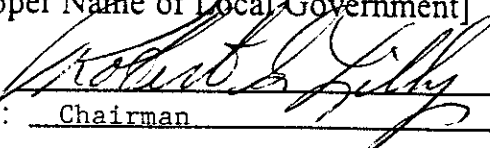
- (i) written notice of termination to the Local Government from either the Authority or DEP;
- (ii) termination by the Authority and DEP pursuant to Section 6.2 hereof; or

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Loan made under this Loan Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the legislature or otherwise being available to make the Loan. In the event funds are not appropriated or otherwise available to make all of the Loan, the responsibility of the Authority and DEP to make all the Loan is terminated; provided further that the obligation of the Local Government to repay the amount of the Loan made by the Authority and DEP as set forth in (iii) above is not terminated due to such non-funding on any balance on the Loan. The DEP agrees to use its best efforts to have the amount contemplated under this Loan Agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default under the Loan Agreement.

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

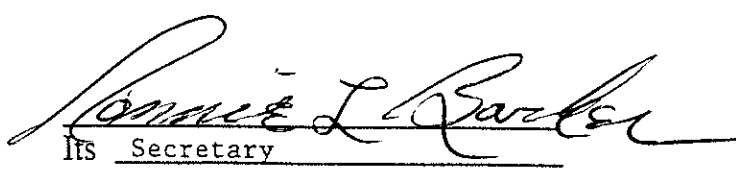
(SEAL)

Shady Spring Public Service District
[Proper Name of Local Government]

By: 
Its: Chairman

Attest:

Date: October 9, 1998


Its Secretary

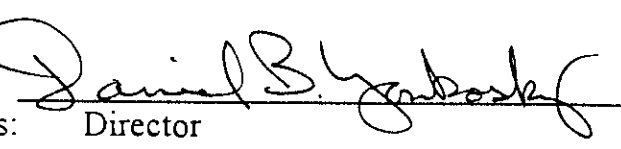
WEST VIRGINIA DIVISION OF
ENVIRONMENTAL PROTECTION

By: 
Its: Chief

Date: 10/13/98

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: 
Its: Director

Attest:

Date: October 8, 1998


Secretary-Treasurer

EXHIBIT A

[Form of Performance Certificate]

[TO BE PROVIDED BY DEP]

EXHIBIT B

[Form of Monthly Financial Report]

[Name of Local Government]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: ____

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

Witnesseth my signature this ____ day of ____, ____.

[Name of Local Government]

By: _____
Authorized Officer

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

SHADY SPRING PUBLIC SERVICE DISTRICT

(Issuer)

1998

(Name of Bonds)

I, R. LYNN LONG, Registered Professional Engineer, West Virginia License No. 5659, of L. A. GATES COMPANY, Consulting Engineers, BECKLEY, WEST VIRGINIA, hereby certify that my firm is engineer for the acquisition and construction of third tank upgrade to the Treatment Plant Upgrade system (herein called the "Project") of SHADY SPRING P.S.D. (the "Issuer") to be constructed primarily in RALEIGH County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the meaning set forth in the _____ passed by the Commissioners of the Issuer on Oct. 9, 1998, effective _____, 1998, and the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection ("DEP") dated _____, 1998.

1. The Bonds are being issued for the purpose of construction of wastewater treatment plant upgrade to existing system of the SHADY SPRING PSD (the "Project").

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

acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 9th day of Oct., 1998.

L. A. Gates Company

By

R. Lynn Long

West Virginia License No. 5659

[SEAL]



EXHIBIT E

SPECIAL CONDITIONS

A. The recipient agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) - The loan recipient that receives \$300,000 or more in a fiscal year must obtain audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133 or any appropriate successor. Financial statement audits are required once all funds have been received by the loan recipient.

EXHIBIT F

[Monthly Payment Form]

West Virginia Water Development
Authority
180 Association Drive
Charleston WV 25311-1571

Re: [Name of bond issue]

Dear Sirs:

The following deposits were made to the West Virginia Municipal Bond
Commission on behalf of [Local Government] on _____, __.

Sinking Fund:

Interest \$_____

Principal \$_____

Total: \$_____

Reserve Fund: \$_____

Witness my signature this ____ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

[Opinion of Bond Counsel for Local Government]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority
180 Association Drive
Charleston WV 25311-1571

Gentlemen:

We are bond counsel to _____ (the "Local Government"), a
_____.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19__, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Local Government and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Local Government, dated _____, 19__ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable _____ 1, _____ 1, _____ 1, and _____ 1 of each year, beginning _____ 1, 19__, at the respective rate or rates and with principal payable in installments on _____ 1 in each of the years, all as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$ 1,202,100
Purchase Price of Bonds	\$ 1,202,100

Interest on the Bonds shall be zero percent from the date of delivery ~~to and including~~ . Principal ~~and interest~~ on the Bonds is payable quarterly, commencing June 1, 2000, at a rate of 0 % per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds. *

The Local Government shall submit its payments monthly to the West Virginia Municipal Bond Commission with instructions that the West Virginia Municipal Bond Commission will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the Bond Commission in writing by the Authority. If the Reserve Fund is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Bond Commission. The Local Government shall instruct the Bond Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

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

The Local Government may prepay the Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Bonds which request must be filed at least 60 days prior to the intended date of issuance.

Sewer Revenue Bond, Series 1982B issued August 12, 1982, in the original principal amount of \$795,515;
Sewer Revenue Bond, Series 1994A issued June 8, 1994, in the original principal amount of \$170,532;
Sewer Revenue Bond, Series 1996A issued April 25, 1996, in the original principal amount of \$151,800;
Sewer Revenue Bond, Series 1997B issued June 24, 1997, in the original principal amount of \$179,000;
Sewer Revenue Bond, Series 1997C issued June 24, 1997, in the original principal amount of \$2,197,304;
Sewer Revenue Refunding Bond, Series 1997D issued June 24, 1997, in the original principal amount of \$3,056,954.52.

Shady Spring PSD, WV

SRF Loan No. C-544202

\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

Shady Spring PSD, WV*SRF Loan No. C-544202**\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee***DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Total P+I
6/01/2010	15,026.25	-	15,026.25
9/01/2010	15,026.25	-	15,026.25
12/01/2010	15,026.25	-	15,026.25
3/01/2011	15,026.25	-	15,026.25
6/01/2011	15,026.25	-	15,026.25
9/01/2011	15,026.25	-	15,026.25
12/01/2011	15,026.25	-	15,026.25
3/01/2012	15,026.25	-	15,026.25
6/01/2012	15,026.25	-	15,026.25
9/01/2012	15,026.25	-	15,026.25
12/01/2012	15,026.25	-	15,026.25
3/01/2013	15,026.25	-	15,026.25
6/01/2013	15,026.25	-	15,026.25
9/01/2013	15,026.25	-	15,026.25
12/01/2013	15,026.25	-	15,026.25
3/01/2014	15,026.25	-	15,026.25
6/01/2014	15,026.25	-	15,026.25
9/01/2014	15,026.25	-	15,026.25
12/01/2014	15,026.25	-	15,026.25
3/01/2015	15,026.25	-	15,026.25
6/01/2015	15,026.25	-	15,026.25
9/01/2015	15,026.25	-	15,026.25
12/01/2015	15,026.25	-	15,026.25
3/01/2016	15,026.25	-	15,026.25
6/01/2016	15,026.25	-	15,026.25
9/01/2016	15,026.25	-	15,026.25
12/01/2016	15,026.25	-	15,026.25
3/01/2017	15,026.25	-	15,026.25
6/01/2017	15,026.25	-	15,026.25
9/01/2017	15,026.25	-	15,026.25
12/01/2017	15,026.25	-	15,026.25
3/01/2018	15,026.25	-	15,026.25
6/01/2018	15,026.25	-	15,026.25
9/01/2018	15,026.25	-	15,026.25
12/01/2018	15,026.25	-	15,026.25
3/01/2019	15,026.25	-	15,026.25
6/01/2019	15,026.25	-	15,026.25
9/01/2019	15,026.25	-	15,026.25
12/01/2019	15,026.25	-	15,026.25
3/01/2020	15,026.25	-	15,026.25*
Total	1,202,100.00	-	1,202,100.00

* Plus one-percent administrative fee paid quarterly in the amount of \$1,521.41. Total administrative fee paid over the life of the loan is \$121,712.80.

November 25, 1998

\$1,202,100
SHADY SPRING PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER SYSTEM REVENUE BONDS, SERIES 1998A

The undersigned duly authorized representative of the West Virginia Water Development Authority (the "Authority"), the registered owner of the entire outstanding aggregate principal amount of Shady Spring Public Service District (the "District") Sewer System Revenue Bonds, Series 1998A, dated November 25, 1998 (the "1998A Bonds"), does hereby consent to issuance of the 1998A Bonds on a parity with the 1982B, 1994A 1996A, 1997C & 1997D Bonds.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Barbara B Meadows

Its: Secretary/Treasurer

SHADY SPRING PUBLIC SERVICE DISTRICT**\$1,202,100****Shady Spring Public Service District Sewer System Revenue Bonds
Series 1998A****CERTIFICATE OF CONSULTING ENGINEER**

I, C. MYRON AMICK, Registered Professional Engineer, West Virginia License No. 9351, of L.A. Gates Company, Consulting Engineers, Beckley, West Virginia, hereby certify that my firm is engineer for the construction of the Shady Spring Public Service Wastewater Treatment Plant Improvements Project (the "Project") of the Shady Spring Public Service District (the "Issuer") to be constructed in Raleigh County, West Virginia, which construction is being primarily financed, in part by the above-captioned bond (the "Bond") of the Issuer. Capitalized words not defined herein shall have the meanings set forth in the Resolutions passed by the Public Service District Board of the Issuer on November 6, 1998 and by Supplemental Resolution passed November 6, 1998, effective November 6, 1998 and a Loan Agreement between the Issuer and West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection dated October 9, 1998.

1. The Bonds are being issued for the purpose of construction of improvements to the existing wastewater treatment plant. The plant capacity will be increased by 400,000 gallons per day to a capacity of 1,200,000 gallons per day. Improvements include a headworks structure, aeration/sludge holding tank, clarifier, effluent disinfection structure and equipment and sludge processing equipment.

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least forty (40) years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as set by the Public Service Commission and adopted by the Public Service Board of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan

Agreement, (vi) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit "A" is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

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

4. The undersigned hereby certifies as follows:

We serve as the consulting engineer for the Shady Spring Public Service District with respect to the waste water treatment system (the "Prior Project"), which was financed in whole or in part by a loan from the West Virginia Water Development Authority dated August 8, 1982. After due review of the Prior Project, we hereby certify that the weighted average reasonably expected remaining economic life of the Prior Project, as of the date of this certification is at least forty (40) years.

WITNESS my signature this 6th day of November, 1998.

L.A. GATES COMPANY

By C. McLean J 11/6/98
West Virginia License No. 9351

[SEAL]

SCHEDULE ANAME OF GOVERNMENTAL AGENCY: SHADY SPRING PUBLIC SERVICE DISTRICT

ESTIMATED TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

A. Cost of Project

1.	Construction	\$	<u>1,642,000</u>	
2.	Technical Services	\$	<u>184,000</u>	
3.	Legal and Fiscal	\$	<u>7,000</u>	
4.	Administrative	\$	<u>7,000</u>	
5.	Site and Other Lands	\$	<u>-0-</u>	
6.	Fac. Plan/Design or Other Loan Repayment (Specify Type: _____)	\$	<u> </u>	
7.	Interim Financing Costs	\$	<u>30,000</u>	
8.	Contingency	\$	<u>101,995</u>	
9.	Total of Lines 1 Through 8			\$ <u>1,971,995</u>

B. Sources of Funds

10.	Federal Grants: ¹ <u>ARC</u>	\$	<u>840,000</u>	
	(Specify Sources) _____	\$	<u>-0-</u>	
11.	State Grants: ¹ _____	\$	<u>-0-</u>	
	(Specify Sources) _____	\$	<u>-0-</u>	
12.	Other Grants: ¹ _____	\$	<u>-0-</u>	
	(Specify Sources) _____	\$	<u>-0-</u>	
13.	Any Other Source ² _____	\$	<u>-0-</u>	
	(Specify) _____	\$	<u>-0-</u>	
14.	Total of Lines 10 Through 13			\$ <u>840,000</u>
15.	Net Proceeds Required from Bond Issue (Line 9 minus Line 14)			\$ <u>1,131,995</u>

C. Cost of Financing

16.	Capitalized Interest (Construction period plus six months)	\$	<u>-0-</u>	
17.	Funded Reserve Account: ³ _____	\$	<u>60,105</u>	
18.	Other Costs: ⁴ <u>Bond Counsel</u>	\$	<u>10,000</u>	
	_____	\$	<u> </u>	
19.	Total Cost of Financing (lines 16 - 18)	\$	<u>70,105</u>	
20.	Size of Bond Issue (Line 15 plus Line 19)			\$ <u>1,202,100</u>

* not allowable for State Revolving Fund Assistance

** WDA loans are not allowable

Signature of Applicant

Date

7/21/98

Signature of Consulting Engineer

Date

7/13/98

JAMES H. GRAVER

CERTIFIED PUBLIC ACCOUNTANT

3324 PENNSYLVANIA AVE.
CHARLESTON, WV 25302

(304) 344-3324
(304) 965-5758

SHADY SPRING PUBLIC SERVICE DISTRICT SEWER SYSTEM REVENUE BONDS SERIES 1998A

November 6, 1998

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

West Virginia Division of Environmental
Protection
617 Broad Street
Charleston, West Virginia 25301

Shady Spring Public Service District
Post Office Box 235
Beaver, West Virginia 25813-0235

John T. Poffenbarger
Bank One Center, Suite 910
Charleston, West Virginia 25301

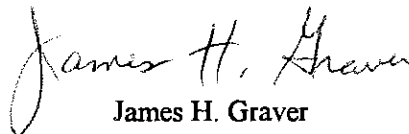
Ladies and Gentlemen:

Based upon the rates and charges now in effect, projected operation and maintenance expenses and anticipated customer usage as furnished to us by Shady Spring Public Service District (the "Issuer"), it is our opinion that such rates and charges will be sufficient to provide revenue which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 115% of the maximum amount required in any Fiscal year for debt service on the Issuer's Sewer System Revenue Bonds, Series 1998A (the "Bond"), and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Bond, including all Prior Bonds of the Issuer as defined and described in the Bond Resolution of the Issuer, adopted November 6, 1998, authorizing the Bonds (the "Bond Resolutions"). It is our opinion that the Net Revenues actually derived from the System during 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average

West Virginia Water Development Authority
West Virginia Division of Environmental
Protection
Shady Spring Public Service District
John T. Poffenbarger
November 6, 1998
Page 2

increased annual Net Revenues to be received in each of the 3 succeeding years after the issuance of Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for the principal of and interest of the Prior Bonds and the Bond. The Issuer has met the parity with its Prior Bonds. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this letter for events and circumstances occurring after the date of this letter. Capitalized terms used in and not otherwise defined herein shall have the meanings assigned to them in the Bond Resolutions.

Very truly yours,

A handwritten signature in cursive script that reads "James H. Graver". The signature is written in dark ink and is positioned above the printed name.

James H. Graver

SHADY SPRING PUBLIC SERVICE DISTRICT
\$1,202,100 SEWER SYSTEM REVENUE BONDS, SERIES 1998A

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 25th day of November, 1998, by and between SHADY SPRING PUBLIC SERVICE DISTRICT, a public corporation under and pursuant to the laws of the State of West Virginia (the "Governmental Agency"), and BANK ONE, WEST VIRGINIA, NA (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its \$1,202,100 Sewer System Revenue Bonds, Series 1998A pursuant to the Resolution duly adopted November 6, 1998, and Supplemental Resolution for the Series 1998A adopted November 6, 1998;

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

WHEREAS, the Resolutions provides for an appointment by the Governmental Agency of a Registrar for the Bonds; and

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

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

1. Upon the execution of this Registrar's Agreement by the Governmental Agency and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar, for the Bond, all as set forth in the Resolutions, such duties including, among other things, the duties to authenticate, register and deliver the Bond upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of

interest on the Bond from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Governmental Agency advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Governmental Agency with appropriate records of all transactions carried out by it as Registrar and to furnish the Governmental Agency with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Governmental Agency may from time to time reasonably require.

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

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

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

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

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

GOVERNMENTAL AGENCY:

SHADY SPRING PUBLIC SERVICE DISTRICT
Post Office Box 236
Beaver, West Virginia 25813-0235

REGISTRAR:

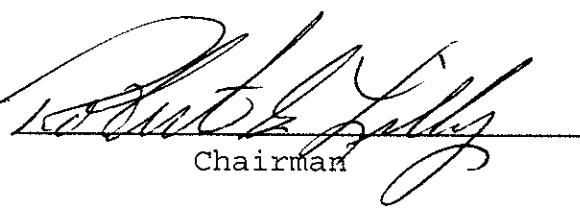
BANK ONE, WEST VIRGINIA, **National Association**
707 Virginia Street East
Charleston, West Virginia 25301

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

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Ordinance.

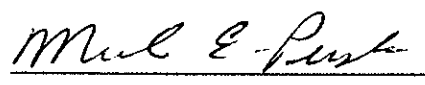
IN WITNESS WHEREOF, SHADY SPRING PUBLIC SERVICE DISTRICT and BANK ONE, WEST VIRGINIA, NA, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

SHADY SPRING PUBLIC SERVICE DISTRICT

By: 

Chairman

BANK ONE, WEST VIRGINIA, **National Association**

By: 

Authorized Officer

EXHIBIT A

See Bond Resolution (Tab No. 7)

SHADY SPRING PUBLIC SERVICE DISTRICT
\$1,202,100 SEWER SYSTEM REVENUE BONDS SERIES 1998A

ACCEPTANCE OF DUTIES OF REGISTRAR

BANK ONE, WEST VIRGINIA, NA, a national banking association with its principal office in Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Series 1998A Bond Resolution of the Shady Spring Public Service District adopted November 6, 1998, and the Series 1998A Supplemental Resolution adopted November 6, 1998 authorizing issuance of Shady Spring Public Service District Sewer Revenue Bonds, Series 1998A in the principal amount of \$1,202,100 dated November 6, 1998 and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in said Resolution.

WITNESS my signature as of November 25, 1998.

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By: Michael E. Puckett

BOND REGISTER

**Bank One, West Virginia, NA
as Bond Registrar for
\$1,202,100 Shady Spring Public Service District
Sewer System Revenue Bond, Series 1998A**

Bondholder	Bond Number	Registration	Authorized Officer
West Virginia Water Development Authority 180 Association Drive Charleston, WV 25311	R-1	\$1,202,100	November 6, 1998

CHASFS3:32064

COPY

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BOND, SERIES 1998A

No. R-1

\$1,202,100

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 \$1,202,100 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 installments on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March in each year beginning June 1, 2000, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate of zero percent (0%) per annum as set forth on said Exhibit B. The SRF Administrative Fee of 1% shall also be payable quarterly on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March of each year beginning June 1, 2000 as set forth on Exhibit B attached hereto.

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 Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated October 8, 1998 among the Authority, the DEP and the Issuer.

This Bond is issued in the aggregate principal amount of \$1,202,100 (i) to pay the costs of construction of certain improvements and extensions to the existing sewerage system of the Issuer (the "Project"; (ii) to fund the 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 of the Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the Issuer on the 6th day of November, 1998, and a Supplemental Resolution adopted by the Issuer on the 6th day of November, 1998 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING SHADY SPRING PUBLIC SERVICE DISTRICT'S PRIOR BONDS, AS DEFINED 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 Reserve Account created under the Resolution and unexpended proceeds of the 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 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 amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest, if any, on all obligations on a parity with or prior to the Bonds including the Prior Bonds payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on said Bond in the then current year or any succeeding year and the reserve account for any other obligations outstanding on a parity with the 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 the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Resolution, only upon the books of the Bank One, National Association, 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.

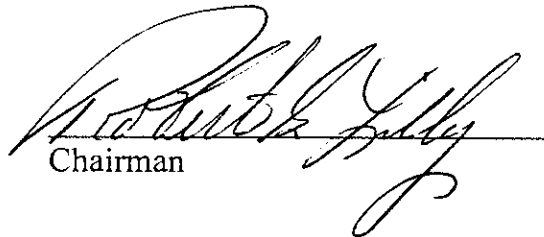
All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the costs of the Project described in the Resolution, and there shall be and hereby is created and granted a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

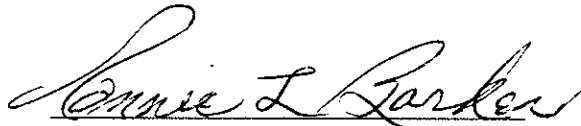
All provisions of the Resolution, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, 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-Treasurer, and has caused this Bond to be dated November 25, 1998.

[SEAL]


Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998A 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: November 25, 1998.

BANK ONE, WEST VIRGINIA, NA, as Registrar

By Mark E. Rush
Its Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$ 146,583,	11/25/98	(7) \$	
(2) \$		(8) \$	
(3) \$		(9) \$	
(4) \$		(10) \$	
(5) \$		(11) \$	
(6) \$		(12) \$	
		TOTAL \$ _____	

EXHIBIT B

Shady Spring PSD, WV*SRF Loan No. C-544202**\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee***DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Total P+I
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	15,026.25	-	15,026.25
9/01/2000	15,026.25	-	15,026.25
12/01/2000	15,026.25	-	15,026.25
3/01/2001	15,026.25	-	15,026.25
6/01/2001	15,026.25	-	15,026.25
9/01/2001	15,026.25	-	15,026.25
12/01/2001	15,026.25	-	15,026.25
3/01/2002	15,026.25	-	15,026.25
6/01/2002	15,026.25	-	15,026.25
9/01/2002	15,026.25	-	15,026.25
12/01/2002	15,026.25	-	15,026.25
3/01/2003	15,026.25	-	15,026.25
6/01/2003	15,026.25	-	15,026.25
9/01/2003	15,026.25	-	15,026.25
12/01/2003	15,026.25	-	15,026.25
3/01/2004	15,026.25	-	15,026.25
6/01/2004	15,026.25	-	15,026.25
9/01/2004	15,026.25	-	15,026.25
12/01/2004	15,026.25	-	15,026.25
3/01/2005	15,026.25	-	15,026.25
6/01/2005	15,026.25	-	15,026.25
9/01/2005	15,026.25	-	15,026.25
12/01/2005	15,026.25	-	15,026.25
3/01/2006	15,026.25	-	15,026.25
6/01/2006	15,026.25	-	15,026.25
9/01/2006	15,026.25	-	15,026.25
12/01/2006	15,026.25	-	15,026.25
3/01/2007	15,026.25	-	15,026.25
6/01/2007	15,026.25	-	15,026.25
9/01/2007	15,026.25	-	15,026.25
12/01/2007	15,026.25	-	15,026.25
3/01/2008	15,026.25	-	15,026.25
6/01/2008	15,026.25	-	15,026.25
9/01/2008	15,026.25	-	15,026.25
12/01/2008	15,026.25	-	15,026.25
3/01/2009	15,026.25	-	15,026.25
6/01/2009	15,026.25	-	15,026.25
9/01/2009	15,026.25	-	15,026.25
12/01/2009	15,026.25	-	15,026.25
3/01/2010	15,026.25	-	15,026.25

Shady Spring PSD, WV*SRF Loan No. C-544202**\$1,202,100; 20 Years; 0% Interest; 1% Administrative Fee***DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Total P+I
6/01/2010	15,026.25	-	15,026.25
9/01/2010	15,026.25	-	15,026.25
12/01/2010	15,026.25	-	15,026.25
3/01/2011	15,026.25	-	15,026.25
6/01/2011	15,026.25	-	15,026.25
9/01/2011	15,026.25	-	15,026.25
12/01/2011	15,026.25	-	15,026.25
3/01/2012	15,026.25	-	15,026.25
6/01/2012	15,026.25	-	15,026.25
9/01/2012	15,026.25	-	15,026.25
12/01/2012	15,026.25	-	15,026.25
3/01/2013	15,026.25	-	15,026.25
6/01/2013	15,026.25	-	15,026.25
9/01/2013	15,026.25	-	15,026.25
12/01/2013	15,026.25	-	15,026.25
3/01/2014	15,026.25	-	15,026.25
6/01/2014	15,026.25	-	15,026.25
9/01/2014	15,026.25	-	15,026.25
12/01/2014	15,026.25	-	15,026.25
3/01/2015	15,026.25	-	15,026.25
6/01/2015	15,026.25	-	15,026.25
9/01/2015	15,026.25	-	15,026.25
12/01/2015	15,026.25	-	15,026.25
3/01/2016	15,026.25	-	15,026.25
6/01/2016	15,026.25	-	15,026.25
9/01/2016	15,026.25	-	15,026.25
12/01/2016	15,026.25	-	15,026.25
3/01/2017	15,026.25	-	15,026.25
6/01/2017	15,026.25	-	15,026.25
9/01/2017	15,026.25	-	15,026.25
12/01/2017	15,026.25	-	15,026.25
3/01/2018	15,026.25	-	15,026.25
6/01/2018	15,026.25	-	15,026.25
9/01/2018	15,026.25	-	15,026.25
12/01/2018	15,026.25	-	15,026.25
3/01/2019	15,026.25	-	15,026.25
6/01/2019	15,026.25	-	15,026.25
9/01/2019	15,026.25	-	15,026.25
12/01/2019	15,026.25	-	15,026.25
3/01/2020	15,026.25	-	15,026.25
Total	1,202,100.00	-	1,202,100.00

* Plus one-percent administrative fee paid quarterly in the amount of \$1,521.41. Total administrative fee paid over the life of the loan is \$121,712.80.

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:

JOHN T. POFFENBARGER

Attorney at Law

BANK ONE CENTER, SUITE 910
707 VIRGINIA STREET EAST
CHARLESTON, WEST VIRGINIA 25301
PHONE (304) 342-1678 • FAX (304) 345-0375

November 25, 1998

Public Service Board
Shady Spring Public Service District
Post Office Box 235
Beaver, West Virginia 25813-0235

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

State of West Virginia
Division of Environmental Protection
Office of Water Resources
617 Broad Street
Charleston, West Virginia

Re: \$ 1,202,100 Shady Spring Public Service District
Sewer System Revenue Bonds, Series 1998A

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of the loan agreement, dated October 9, 1998, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency, the West Virginia Water Development Authority (the "Authority") and the West Virginia Bureau of Environment ("DEP"), and (ii) the issue of the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A of the Governmental Agency, dated November 25, 1998 (the "Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Series 1998A Bond is in the principal amount of \$1,202,100, issued in the form of one bond registered to the Authority, with principal payable June 1, September 1, December 1 and March 1 of each year, beginning June 1, 2000, at the rate of zero percent (0%) per

JOHN T. POFFENBARGER

Public Service Board
West Virginia Water Development Authority
State of West Virginia
November 25, 1998
Page 2

annum and as set forth in "Schedule Y," attached to the Loan Agreement and incorporated in and made a part of the Bond. The SRF Administrative Fee of 1% shall also be payable quarterly on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March of each year beginning June 1, 2000.

The Bonds are issued for the purposes of paying a portion of the costs of certain additions, betterments and improvements for the existing public sewerage facilities of the Governmental Agency (the "Project"), funding a reserve account and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Bonds are issued, and the Loan Agreement that has been undertaken. The Bonds have been authorized by a bond resolution (the "Resolution") and a supplemental resolution (the "Supplemental Resolution") duly passed by the Governmental Agency on November 6, 1998 (collectively the "Local Act"), which contain provisions and covenants substantially in the form of those set forth in the Loan Agreement. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

JOHN T. POFFENBARGER

Public Service Board
West Virginia Water Development Authority
State of West Virginia
November 25, 1998
Page 3

3. The Governmental Agency is a duly organized and presently existing public corporation with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Series 1998A Bond, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively adopted the Local Act and all other necessary resolutions and orders in connection with the issuance and sale of the Bonds.

5. The Series 1998A Bond is a valid and legally enforceable special obligations of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and are secured by a first lien on and pledge of the net revenues of said System and the Series 1998A Bonds are on a parity as to security and source of payment, and are on a parity with the Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C and the Series 1997D Bonds (the "Prior Bonds").

6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Series 1998A Bond and the Prior Bonds, as provided in the Local Act.

7. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Resolution and the Prior Resolutions and secured by a first lien on and pledge of the Net Revenues of said System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Prior Bonds and the Series 1998A Bonds, all in accordance with the terms of the Bonds, the Bond Resolutions and the Prior Resolutions. Based upon the certificate of the certified public accountant dated November 6, 1998, the Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the resolutions authorizing the Prior Bonds. The Issuer has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not a material nature.

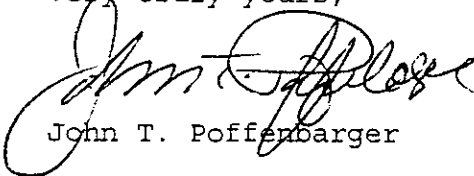
JOHN T. POFFENBARGER

Public Service Board
West Virginia Water Development Authority
State of West Virginia
November 25, 1998
Page 4

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that such enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed Series 1998A Bond numbered R-1, and in our opinion the form of said Bonds and their execution and authentication are regular and proper.

Very truly yours,



John T. Poffenbarger

SHADY SPRING PUBLIC SERVICE DISTRICT

\$1,202,100 Sewer System Revenue Bonds,
Series 1998A

RECEIPT FOR BOND

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

1. On the 25th day of November, 1998, in Charleston, West Virginia, the Authority received the entire original issue of \$1,202,100 in aggregate principal amount of Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A (the "Bond"), said Bond being dated the 6th day of November, 1998, and issued in the form of one bond, fully registered to the Authority, and numbered R-1.

2. At the time of receipt of the Series 1998A Bond, they had been executed by Robert G. Lilly, 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, Barbara B. Meadows duly signed and delivered this receipt on behalf of the West Virginia Water Development Authority on the 25th day of November, 1998.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B. Meadows
Secretary-Treasurer

SHADY SPRING PUBLIC SERVICE DISTRICT
SEWER SYSTEM REVENUE BONDS
SERIES 1998A

RECEIPT FOR BOND PROCEEDS

The undersigned, Robert G. Lilly, 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 \$1,202,100 Shady Spring Public Service District Sewer System Revenue Bonds, Series 1998A(the "Series 1998A Bond"), of \$146,583.00 being more than a de minimis portion of the purchase price of the Series 1998A Bond. 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 6th day of November, 1998.

SHADY SPRING PUBLIC SERVICE
DISTRICT

By 
CHAIRMAN

WV MUNICIPAL BOND COMMISSION

Suite 300
812 Quarrier St
Charleston, WV 25301
PH (304) 558-3971
FAX (304) 558-1280

NEW ISSUE REPORT FORM

Date of Report: November 5, 1998

(See Reverse for Instructions)

ISSUER & ISSUE: \$1,202,100 Shady Spring Public Service District Sewer Revenue Bonds, Series 199

ADDRESS: P.O. Box 235, Beaver, WV 25813-0235 COUNTY: Raliegh

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

ISSUE DATE: November 5, 1998

CLOSING DATE: November 5, 1998

ISSUE AMOUNT: \$ 1,202,100

RATE: 0%

1st DEBT SERVICE DUE: June 1, 2000

1st PRINCIPAL DUE: June 1, 2000

1st DEBT SERVICE AMOUNT: \$15,026.25

PAYING AGENT: Municipal Bond Commission

ISSUERS

BOND COUNSEL: John T. Poffenbarger

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly

Contact Person: John T. Poffenbarger

Contact Person: Sammi L. Gee

Phone: (304)342-1678

Phone: (304)340-1318

CLOSING BANK: First State Bank & Trust

ESCROW TRUSTEE: _____

Contact Person: Beckley

Contact Person: _____

Phone: (304)255-1551

Phone: _____

KNOWLEDGEABLE ISSUER CONTACT

OTHER: Bank One, West Virginia, NA

Contact Person: Jerry Smith

Contact Person: Teresa Davis

Position: Director

Function: Registrar

Phone: (304)255-1565 Fax: (304)252-8275 Phone: (304)348-4411

DEPOSITS TO MBC AT CLOSE: Accrued Interest: _____ Days \$ _____
By Wire Capitalized Interest: _____ \$ _____
Check Reserve Account: _____ \$ 60,105
IGT Other: _____ \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By _____ Wire To Escrow Trustee: _____ \$ _____
_____ Check To Issuer: _____ \$ _____
_____ IGT To CIF-State Treasury _____ \$ _____
To Other: _____ \$ _____

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

ANDERSON, PARKULO, STANSBURY & ASSOCIATES, L.C.

ATTORNEYS AT LAW

207 SOUTH HEBER STREET

DRAWER 1459

JAMES G. ANDERSON, III
WV STATE BAR I.D. #132

JOHN F. PARKULO
WV STATE BAR I.D. #2817

EDWARD R. STANSBURY
WV STATE BAR I.D. #3561

BECKLEY, WEST VIRGINIA 25802-1459

304-252-0701

FAX 304-252-2779

E-MAIL ADDRESS

apsa@citynet.net

November 6, 1998

Shady Spring Public Service District
P. O. Box 235
Beaver, WV 25813-0235

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

State of West Virginia
Division of Environmental Protection
Office of Water Resources
617 Broad Street
Charleston, WV 25301

John T. Poffenbarger
Bank One Center, Suite 910
Charleston, WV 25301

**Re: \$1,202,100 Shady Spring Public Service District
Sewer System Revenue Bonds, Series 1998A**

Gentlemen:

I am counsel to the Shady Spring Public Service District (the "District"). As such counsel, I have examined the copies of the approving opinions of John T. Poffenbarger, as bond counsel, relating to the above-captioned Bonds, the Bond Resolution adopted by the Public Service Board (the "Board") of the District on November 6, 1998, the Supplemental Resolution for the 1998A adopted by the Board of the District on November 6, 1998, the Loan Agreement dated October 9, 1998, in relation to the 1998A Bond. Terms used in said opinions and Resolutions and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

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

Shady Spring Public Service District
West Virginia Water Development Authority
State of West Virginia
Division of Environmental Protection
John T. Poffenbarger
November 6, 1998
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2. The Resolutions have been duly adopted by the District and are in full force and effect.

3. The District has received a Certificate of Convenience and Necessity to construct the Project and issue the Series 1998A from the Public Service Commission of West Virginia (the "PSC") Case No. 98-0166-PSD-CN) and said Certificate is in full force and effect. The time for appeal of the Final Order of the PSC has expired prior to the date hereof.

4. The District has the authority under Article 13A of Chapter 6 of the Code of West Virginia, 1931, as amended, to adopt the rates which have been approved by the Public Service Commission and the revenue from said rates may be used to pay the debt service on the above-noted Bonds and the operation and maintenance cost of the Project.

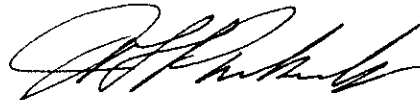
5. The District has received all the necessary permits, licenses, approvals and authorizations that are presently obtainable to construct the Project.

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

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

Very truly yours,

ANDERSON, PARKULO, STANSBURY
& ASSOCIATES, L.C.



John F. Parkulo
WV State Bar I.D. No. 2817

JFP/kb

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JOHN T. POFFENBARGER

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November 25, 1998

Public Service Board
Shady Spring Public Service District
Post Office Box 235
Beaver, West Virginia 25813-0235

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

State of West Virginia
Division of Environmental Protection
Office of Water Resources
617 Broad Street
Charleston, West Virginia

**Re: \$ 1,202,100 Shady Spring Public Service District
Sewer System Revenue Bonds, Series 1998A**

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of the loan agreement, dated October 9, 1998, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency, the West Virginia Water Development Authority (the "Authority") and the West Virginia Bureau of Environment ("DEP"), and (ii) the issue of the Shady Spring Public Service District Sewer System Revenue Bond, Series 1998A of the Governmental Agency, dated November 25, 1998 (the "Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Series 1998A Bond is in the principal amount of \$1,202,100, issued in the form of one bond registered to the Authority, with principal payable June 1, September 1, December 1 and March 1 of each year, beginning June 1, 2000, at the rate of zero percent (0%) per

JOHN T. POFFENBARGER

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annum and as set forth in "Schedule Y," attached to the Loan Agreement and incorporated in and made a part of the Bond. The SRF Administrative Fee of 1% shall also be payable quarterly on the 1st day of June, the 1st day of September, the 1st day of December and the 1st day of March of each year beginning June 1, 2000.

The Bonds are issued for the purposes of paying a portion of the costs of certain additions, betterments and improvements for the existing public sewerage facilities of the Governmental Agency (the "Project"), funding a reserve account and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Bonds are issued, and the Loan Agreement that has been undertaken. The Bonds have been authorized by a bond resolution (the "Resolution") and a supplemental resolution (the "Supplemental Resolution") duly passed by the Governmental Agency on November 6, 1998 (collectively the "Local Act"), which contain provisions and covenants substantially in the form of those set forth in the Loan Agreement. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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3. The Governmental Agency is a duly organized and presently existing public corporation with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Series 1998A Bond, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively adopted the Local Act and all other necessary resolutions and orders in connection with the issuance and sale of the Bonds.

5. The Series 1998A Bond is a valid and legally enforceable special obligations of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and are secured by a first lien on and pledge of the net revenues of said System and the Series 1998A Bonds are on a parity as to security and source of payment, and are on a parity with the Series 1982B Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1997B Bonds, the Series 1997C and the Series 1997D Bonds (the "Prior Bonds").

6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Series 1998A Bond and the Prior Bonds, as provided in the Local Act.

7. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Resolution and the Prior Resolutions and secured by a first lien on and pledge of the Net Revenues of said System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Prior Bonds and the Series 1998A Bonds, all in accordance with the terms of the Bonds, the Bond Resolutions and the Prior Resolutions. Based upon the certificate of the certified public accountant dated November 6, 1998, the Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the resolutions authorizing the Prior Bonds. The Issuer has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not a material nature.

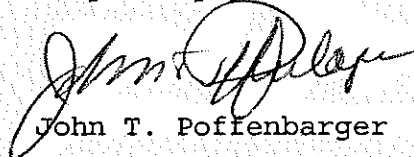
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It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that such enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed Series 1998A Bond numbered R-1, and in our opinion the form of said Bonds and their execution and authentication are regular and proper.

Very truly yours,



John T. Poffenbarger