

ADRIAN PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)**

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ADRIAN PUBLIC SERVICE DISTRICT
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

BOND RESOLUTION

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ADRIAN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF ADRIAN PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF ADRIAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

Section 1.01. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. Adrian Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Upshur County of said State, duly created pursuant to the Act by The County Commission of Upshur County.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. The Issuer currently owns and operates a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, improvements and extensions to such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of eight separate line extensions to serve the following areas of southern Upshur County; Gould, Grand Camp and Big Bend Ridge; Beachtown Road; Natural Bridge, Evergreen and Alton; Route 11; Frenchton Road; Laurel Fork; Route 34; and Route 32, to serve approximately 240 households, and all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$3,485,000, of which \$1,200,000 will be obtained from the proceeds of sale of the Series 2004 A Bonds herein authorized and \$2,285,000 will be obtained from a grant from the Purchaser.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), in the aggregate principal amount of \$1,200,000 (the "Series 2004 A Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2004 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility

or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2004 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1989, dated July 21, 1988, issued in the original aggregate principal amount of \$990,000, the Water Revenue Bonds, Series 1996 A, dated September 11, 1996, issued in the original aggregate principal amount of \$650,000, the Water Revenue Bonds, Series 1996 B, dated September 11, 1996, issued in the original aggregate principal amount of \$850,000 and the Water Revenue Bonds, Series 2000 A (United States Department of Agriculture), dated October 6, 2000, issued in the original aggregate principal amount of \$1,200,000 (collectively, the "Prior Bonds"), and held by the Purchaser. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2004 A Bonds as to liens, pledge and/or source of and security for payment.

The Issuer is not in default under the terms of the Prior Bonds, or the resolutions authorizing issuance of the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

H. It is in the best interest of the Issuer that the Series 2004 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated August 12, 2002, and all amendments thereto, if any (collectively, the "Letter of Conditions").

L The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2004 A Bonds, or will have so complied prior to issuance of the Series 2004 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2004 A Bonds by those who shall be the Registered Owner of

the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2004 A Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

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

"Bond Legislation" means this Resolution and all resolutions supplemental hereto and amendatory hereof.

"Bond Registrar" means the Issuer, which shall usually so act by its Secretary.

"Bonds" means, collectively, the Series 2004 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

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

"Consulting Engineer" means Hornor Brothers Engineers, Clarksburg, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means Bank One, West Virginia, N.A., Buckhannon, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Public Service Board of the Issuer.

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

"Grants " means, collectively, all grants committed for the Project.

"Herein" or "herein" means in this Bond Legislation.

"Issuer," "Borrower" or "District" means Adrian Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Upshur County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated August 12, 2002, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2004 A Bonds in the then current or any succeeding year.

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

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

"Prior Bonds" means the Water Revenue Bond, Series 1989, the Water Revenue Bonds, Series 1996 A, the Water Revenue Bonds, Series 1996 B and the Water Revenue Bonds, Series 2000 A, of the Issuer described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the resolution of the Issuer, adopted April 25, 1988 (the "1988 Resolution"), authorizing the issuance of the Series 1989 Bond, the resolution of the Issuer, adopted September 11, 1996 (the "1996 Resolution"), authorizing the issuance of the Series 1996 A Bonds and Series 1996 B Bonds, and the resolution of the

Issuer, adopted October 4, 2000 (the "2000 Resolution"), authorizing the issuance of the Series 2000 A Bonds.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

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

so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

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

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

"Registered Owner," "Bondholder," "Holder of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolution and the Bond Legislation.

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from

the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Governing Body.

"Series 2004 A Bonds" means the Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"System" means the complete public waterworks system of the Issuer, presently existing in its entirety or any integral part thereof, and shall include the Project and any improvements and extensions thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

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 neuter gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of \$3,485,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2004 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2004 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2004 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of \$1,200,000, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2004 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2004 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.50% per annum, and shall be sold for the par value thereof.

The Series 2004 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2004 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2004 A Bonds, and the right to principal of and stated interest on the Series 2004 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2004 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2004 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2004 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2004 A Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2004 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2004 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2004 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2004 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2004 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2004 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2004 A Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2004 A Bonds shall cease to be such officer of the Issuer before the Series 2004 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2004 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2004 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2004 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2004 A Bonds shall have

matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the *same*, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2004 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2004 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2004 A Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2004 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

ADRIAN PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 2004 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

\$1,200,000

FOR VALUE RECEIVED, ADRIAN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000), plus interest on the unpaid principal balance at the rate of 4.50% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$5,508, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized

denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2004, authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BOND, SERIES 1989, WATER REVENUE BONDS, SERIES 1996 A, WATER REVENUE BONDS, SERIES 1996 B, AND WATER REVENUE BONDS, SERIES 2000 A, AS DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, ADRIAN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

ADRIAN PUBLIC SERVICE DISTRICT

(Name of Borrower) _____

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board _____
(Title of Executive Official)

P. O. Box 87
P. O. Box No. or Street Address)

French Creek, West Virginia 26218
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form 00)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$ _____		(19) \$ _____	
(2) \$ _____		(20) \$ _____	
(3) \$ _____		(21) \$ _____	_____
(4) \$ _____		(22) \$ _____	
(5) \$ _____		(23) \$ _____	_____
(6) \$ _____		(24) \$ _____	_____
(7) \$ _____		(25) \$ _____	_____
(8) \$ _____		(26) \$ _____	_____
(9) \$ _____		(27) \$ _____	_____
(10) \$ _____		(28) \$ _____	_____
(11) \$ _____		(29) \$ _____	_____
(12) \$ _____		(30) \$ _____	_____
(13) \$ _____		(31) \$ _____	_____
(14) \$ _____		(32) \$ _____	_____
(15) \$ _____		(33) \$ _____	_____
(16) \$ _____		(34) \$ _____	_____
(17) \$ _____		(35) \$ _____	_____
(18) \$ _____		(36) \$ _____	_____
	TOTAL	\$	

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____

In the presence of:

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF;
DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Series 2004 A Reserve Account; and
- (3) Project Construction Account.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2004 A Bonds Reserve Account.

Section 4.03. Bond Proceeds: Project Construction Account. The proceeds of the sale of the Series 2004 A Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The monies in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2004 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.04. Covenants of the Issuer as to System Revenues and Funds.

So long as any of the Series 2004 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2004 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2004 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2004 A Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions 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 provided in the Resolutions.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Resolution not otherwise modified herein:

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

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Prior Bonds and the Series 2004 A Bonds, transfer from the Revenue Fund and remit to the National Finance Office, the amounts required to pay the interest on the Prior Bonds and the Series 2004 A Bonds and to amortize the principal of the Prior Bonds and the Series 2004 A Bonds over the respective lives of each respective Bond issue. All payments with respect to principal of and interest on the Prior Bonds and the Series 2004 A Bonds shall be made on an equal pro rata basis in accordance with

the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Depository Bank for deposit into the respective Reserve Funds, the amounts required by the Prior Resolutions; and (ii) to the Commission for deposit into the Series 2004 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2004 A Bonds Reserve Account equals the Minimum Reserve. Monies in the Series 2004 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2004 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2004 A Bonds, or for mandatory prepayment of the Series 2004 A Bonds as hereinafter provided, and for no other purpose; provided, however, that when the Minimum Reserve has been accumulated in the Series 2004 A Bonds Reserve Account, all earnings of investments of monies therein shall at least annually be transferred to and deposited in the Revenue Fund.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Reserve the amounts required by the Prior Resolutions. Monies in the Depreciation Reserve may be withdrawn by the Issuer and used as provided by the Prior Resolutions.

(5) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Series 2004 A Bonds Reserve Account shall be sufficient to prepay the Series 2004 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2004 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2004 A Bonds Reserve Account as herein provided, and all amounts required for the Series 2004 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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

The Revenue Fund and the Series 2004 A Bonds Reserve Account shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2004 A Bonds and the interest thereon.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2004 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission, at the direction of the Issuer, shall keep the monies in the Series 2004 A Bonds Reserve Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond

Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Investment Management Board. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2004 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

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

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2004 A Bonds, provide evidence that there will be at least 1,457 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission or the Depository Bank then due.

F. INVESTMENT OF EXCESS BALANCES. The monies in excess of the sum insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments

as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia.

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

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

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 2004 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$1,200,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2004 A Bonds or the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2004 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2004 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2004 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2004 A Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2004 A Bonds and the Prior Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2004 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Resolutions authorizing the Prior Bonds shall be applicable. No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

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

No additional Parity Bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2004 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance. to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance. with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2004 A Bonds.

(c) Vehicular Public Liability Insurance. in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(t) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2004 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2004 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2004 A Bonds.

Section 5.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) Failure to make payment of any monthly amortization installment upon the Series 2004 A Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2004 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

Section 5.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.09. Fiscal Year: Budget. While the Series 2004 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10 % ; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 5.12. Books and Records; Audits. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2004 A Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges: Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on December 18, 2003, Case No. 03-1001-PWD-CN, which Final Order is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2004 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2004 A Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2004 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2004 A Bonds, the Issuer may not defease the Series 2004 A Bonds or otherwise provide for payment thereof by escrow or like manner.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2004 A Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2004 A Bonds.

Section 7.05. Conflicting Provisions Repealed. The Prior Resolutions and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions.

All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. 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 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted this 13th day of February, 2004.

ADRIAN PUBLIC SERVICE DISTRICT


Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of ADRIAN PUBLIC SERVICE DISTRICT on the 13th day of February, 2004.

Dated: February 18, 2004.

[SEAL]

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ADRIAN PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1989

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC WATERWORKS FACILITIES OF ADRIAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE **THAN** \$990,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND, SERIES 1989; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING' GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDERS OF THE BOND; AND ADOPTING OTHER PROVISIONS RELATING THERETO

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF ADRIAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. **Adrian Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Upshur County of said State, created by The County Commission of Upshur County pursuant to the Act.**

B. The Issuer presently does not own and operate a public waterworks system, and it **is deemed essential, convenient, necessary and desirable** for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer and, accordingly, it is hereby ordered that there be acquired and constructed certain waterworks facilities consisting of 24.2 miles

of water line, two water storage tanks, two booster stations, road crossings, service connection, and other appurtenances for operation of a water distribution system along Routes 4 and 20, including the communities of Hinkleville, Adrian, French Creek, Hampton, Rock Cave and Lick Run, with all necessary appurtenant facilities, and if any surplus and/or contingency funds remain after acquisition and construction of the foregoing, such extensions of service as shall be required by the Public Service Commission of West Virginia (the "Project"), which constitute properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (the Project and any additions and improvements thereto or extensions thereof is herein called the "System") at an estimated cost of \$2,220,000, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Public Service Board (the "Governing Body") of the Issuer, of which approximately \$990,000 will be obtained from the proceeds of the sale of the Notes (herein defined) and the Bond and approximately \$1,230,000 by a grant from the Purchaser. Water will be purchased from the City of Buckhannon pursuant to a water purchase contract between the City of Buckhannon and the Issuer. The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bond in the aggregate principal amount of \$990,000 (the "Bond" or "Bonds"), and prior to the issuance thereof and at the option of the Issuer, to issue its Waterworks System Bond Anticipation Notes, Series 1988 (the "Notes" or "BAN"), in the principal amount of not more than \$785,000 to temporarily finance costs of acquisition and construction of the Project. The Notes may, in the discretion of the Issuer, be issued in the form of a note or notes evidencing a line or lines of credit. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the acquisition of any necessary property, real or personal, or interest therein; interest on the Bond or Notes prior to, during and for 6 months after completion of such construction to the extent that revenues of the System are not sufficient therefor;

engineering and legal expenses; expenses for estimates of costs **and revenues; expenses for** plans, specifications and surveys; and such other expenses as may be necessary or incidental to **the** construction of the Project and **the** financing authorized **hereby; provided, that reimbursement** to the Issuer for **any** amounts expended by it for the **repayment of indebtedness** incurred for Costs **of the Project by the** Issuer **shall be deemed** Costs of the Project.

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

F. It is in the best interests of the Issuer that the Bond be sold to the United States Department of Agriculture, Farmers Home Administration (the "Purchaser") pursuant to the terms and provisions of a letter of conditions dated July 22, 1985, and all **amendments** thereto (**collectively, the "Letter of Conditions"**).

G. **There are no outstanding obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge and/or source of and security for payment. The Notes, if issued, will not be payable from the Net Revenues, but shall be payable from proceeds of the Bond, all as shall be more particularly set forth in the resolution authorizing the Notes adopted simultaneously herewith.**

H. The Issuer has complied with all requirements of law relating to authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Notes and the Bond, or will **have** so complied prior to issuance of the Notes or **Bond**, including, among other things and without limitation, **the consent and approval, pursuant to the Act and all other provisions of law, of the issuance of the Notes and the Bond, the acquisition and construction of the Project and the imposition of rates and charges by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.**

Section 1.03. Bond Legislation 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 Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholder and the covenants and agreements herein set forth to be performed by the Issuer **shall** be for the equal benefit, protection and security of the registered owners of any and all of such Bond or Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and *any* other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means Chapter 16, Article I3A, of the West Virginia Code of 1931, as amended.

"BAN" or "Notes" means not more than \$785,000 in aggregate principal amount of Waterworks System Bond Anticipation Notes, Series 1988, which may, at the discretion of the Issuer, be in the form of a note or notes evidencing a line or lines of credit, authorized by a separate resolution adopted simultaneously herewith, and, unless the context clearly indicates otherwise, the term "BAN" or "Notes" includes any refunding bond anticipation note or notes of the Issuer.

"Bond" or "Bonds" means the Water Revenue Bond, Series 1989, authorized hereby to be issued, and any bonds on a parity therewith authorized to be issued hereunder.

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

"Bond Registrar" or "Registrar" means the Issuer, which shall usually so act by its Secretary.

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

"Chairman" means the Chairman of the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Bond for the proceeds representing the purchase of the Bond by the Purchaser, as the first purchaser of the Bond from the Issuer.

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

"Consulting Engineer" means Eornor Brothers Engineers, Clarksburg, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bond during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository Bank" means The Central National Bank, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"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 Bond 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.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Public Service Board of the Issuer, as may hereafter be constituted.

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

"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 Bond;

(iii) Transferred proceeds, namely, original proceeds of the Notes and any other prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are deemed to become proceeds of the Bond ratably as original proceeds of the Bond, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, discharge the outstanding principal of the Notes or such other 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 Bond, which **are** held in any fund to the extent that the Issuer **reasonably expects** to use such other fund to pay Debt Service on the Bond;

(v) **Amounts in the Reserve Fund 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 Bond by the Issuer;**

(vii) **Amounts, other than as specified in this definition, used to pay Debt Service on the Bond; and**

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

"Herein" or "herein" means in this Bond Legislation.

"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 other than specified private activity bonds as defined in Section 57(a) (5) (C) of the Code.

"Issuer" or "District" means the Adrian Public Service District, in Upshur County, West **Virginia**, and includes the Governing **Body**.

"**Letter of Conditions**" means the letter of conditions of the Purchaser dated July 22, 1985, and all amendments thereto.

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

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

"Nonpurpose investment" means any Investment Property which is **acquired** with the Gross Proceeds of the Bond and is not acquired in order to carry out the **governmental** purpose of the Bond.

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

"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.

"Project" shall have the meaning stated in Section 1.02B above.

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

on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bond.

"Purchaser" means United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or

increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

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

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

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

"Regulations" means temporary and permanent regulations promulgated under the Code.

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

"Secretary" means the Secretary of the Governing Body.

"State" means the State of West Virginia.

"Surplus Revenues" shall have *the* meaning set forth in Section 5.03 hereof.

"System" means the Project initially, and includes the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system, and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks system after completion of the Project.

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

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

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.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$2,220,000, in accordance with the plans and specifications which have been prepared by the Consulting **Engineers**, heretofore filed in **the office of the Governing Body.** The proceeds of the Notes and the Bond hereby authorized shall be applied as provided in the resolution authorizing issuance thereof and Article VI hereof, respectively.

ARTICLE III

**AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BOND**

Section 3.01. Authorization of Bond. Subject and pursuant to the **provisions** hereof, the Bond of the Issuer, to be known as "**Water Revenue Bond, Series 1989,**" is **hereby** authorized to **be issued in the aggregate principal amount of not exceeding \$990,000** for the purpose of **refunding** the Notes, **the proceeds** of which Notes **are** to be used to temporarily finance a portion of the Costs of the Project, and for the purpose of **paying** a portion of the Costs of the Project.

Section 3.02. Description of Bond. **The Bond shall be initially issued as a single Bond, No. R-1, fully registered, and shall be dated the date of delivery thereof. The Bond shall bear interest from date of delivery, payable monthly at the rate of 5Z per annum and shall be sold for the par value thereof.**

The **Bond** shall be subject to **prepayment** of **scheduled** monthly installments, or any portion thereof, at the option of the Issuer, and shall be **payable** as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bond. Subject to the provisions for transfer of registration set forth below, the Bond shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Bond, and the right to principal of, and stated interest on, the Bond, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar. No interest in the Bond shall be transferable except by means of transfer of registration of a Bond representing such interest and delivery of a new Bond or Bonds in exchange therefor in accordance with this Bond Legislation.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer

shall **pay any other expenses** incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Bond **shall be permitted** to **be made** after the 15th day next preceding **any** installment **payment date** on the Bond.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by *its* agent, at its office, sufficient books for the registration and transfer of the Bond, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.

The Bond Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered *in the* name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name -of the trustee of each trust and/or such other identifying number and information as may be required by law.

Section 3.05. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Chairman and its corporate seal shall **be affixed** thereto and attested **by** the Secretary. In **case any** one or more of the officers who **shall have** signed or **sealed** the Bond shall **cease** to be such officer of the Issuer **before** the Bond so signed **and sealed** have been actually sold **and delivered**, such Bond **may nevertheless** be sold and **delivered** as herein provided and **may be issued** as if the person who signed or sealed such Bond had 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 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his, her or its ownership thereof and complying with such other reasonable

regulations and conditions as the Issuer may require. The Bond so surrendered shall be cancelled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may **pay** the same, and, if such Bond be **destroyed, stolen** or lost, without **surrender thereof**.

Section 3.07. Bond Secured **la Pledge of Net Revenues.**
The payment of the debt service of the Bond shall be secured forthwith by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided for. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORK OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
ADRIAN PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1989

\$990,000

No. R-1

Date: _____

FOR **VALUE** RECEIVED, ADRIAN **PUBLIC** SERVICE DISTRICT (**herein** called the "Issuer") **promises** to **pay** to **the** order of the **United** States of America, acting through the Farmers Home Administration, United States Department of Agriculture (the "Government"), or its **registered** assigns, at its National Finance Office, St. Louis, Missouri, 63103, or at such other **place** as the Government **may hereafter** designate in writing, the **principal** sum of NINE HUNDRED NINETY THOUSAND DOLLARS (\$990,000), plus interest on the unpaid principal **balance** at the rate of (5X) per annum. The **said principal and** interest shall be **paid** in the following installments on **the** following dates: Monthly installments of interest only, commencing 30 days following the date of **delivery** of the Bond and continuing on the corresponding **day** of each month for the first 24 months after the date hereof, and \$4,861, covering **principal** and interest, thereafter on **said corresponding** day of each month, except that the final installment shall be paid at the end of 40 **years** from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments **may** be made as **provided** hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of **payments**.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be **advanced** to the Issuer as **requested** by the Issuer and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, the Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by the Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by the Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by the Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond is issued to refund the Waterworks System Bond Anticipation Notes, Series 1988, of the Issuer (the "Notes"), issued to temporarily finance a portion of the costs of acquisition and construction of new waterworks facilities of the Issuer, and this Bond, together with any additional bonds ranking on a parity

herewith which **may be issued and** outstanding for the **purpose** of providing funds for financing costs of construction and acquisition **of** additions, extensions **and** improvements to **the waterworks system** (the "System") of the Issuer, is **payable** solely from **the revenues** to be **derived** from the operation of the System after there **have** been first **paid** from such revenues the **reasonable** current costs of operation and maintenance of the **System**. This **Bond** does **not in any manner** constitute **an indebtedness** of the Issuer within **the** meaning of any **constitutional** or **statutory** provision or limitation, nor shall the Issuer **be obligated** to **pay** the **same** or the **interest** thereon except from the special fund so **provided**.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Legislation, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under **and** in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A, of the West Virginia Code (herein called the "Act"), and with a resolution of the Issuer duly adopted authorizing issuance of this Bond (the "Bond **Legislation**").

If at any time it shall appear to the Government that the Issuer may be **able** to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, the Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, the ADRIAN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto **affixed or imprinted** hereon and attested by its Secretary, all as of this _____ day of _____, 19

ADRIAN PUBLIC SERVICE DISTRICT

(Name of Borrower)

(CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board

(Title of Executive Official)

Route 3, Box 245CC

(P.O. Box No. or Street Address)

Buckhannon, West Virginia 26201

(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board

(Title of Attesting Official)

(Form of)

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
		(6) \$	
		(7) \$	
		(8) \$	
		(9) \$	
(5) \$		(10) \$	
		TOTAL	\$

[Form of Assignment]

ASSIGNMENT

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

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

Dated: _____

In the presence of:

ARTICLE IV

NOTES

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending the delivery of the Bond to the Purchaser, *the* Issuer may issue and sell its Notes in the aggregate principal amount of not to exceed \$785,000. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption and shall have such other provisions not inconsistent with *this* Bond Legislation as shall be provided in the resolution adopted simultaneously herewith authorizing the issuance of the Notes.

Section 4.02. Terms of and Security for Notes. The Notes shall be issued in the denominations, in fully registered form, with such terms and secured in the manner set forth in the resolution adopted simultaneously herewith authorizing issuance of the Notes.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the sources described in the resolution adopted simultaneously herewith authorizing the issuance thereof. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit of the Issuer is pledged for, the payment of the Notes. The holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the resolution adopted simultaneously herewith authorizing the issuance of the Notes.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF;
DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS; REBATE

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

- (1) **Revenue Fund;**
- (2) Project Construction Account;
- (3) **Depreciation Reserve;**
- (4) Reserve Fund;
- (5) Earnings Fund; and
- (6) Rebate Fund.

Section 5.02. Bond Proceeds; Project Construction Account. **The proceeds** of sale of the Bond sufficient **to pay** the **principal** of and interest **on** the BAN at **maturity** and not theretofore **paid** shall **be deposited** in the BAN Payment Fund as **defined** and required in the resolution authorizing issuance of the BAN. The balance **of the proceeds of the Bond** after **said deposit, if** any, shall be **deposited** in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such **bank** by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the **purposes provided herein.**

Amounts in the Project Construction Account shall be disbursed for Costs of the Project upon filing in the official records pertaining to such account of a certificate of the Issuer describing such disbursement, setting forth the portion, if any, of the Net Proceeds of the Bond to be used for a Private Business Use or to make or finance a loan (other than a loan constituting a Nonpurpose Investment) to other than a state or local governmental unit and certifying that there has been compliance with the provisions of Section 6.12 hereof relating to the Private Business Use limitation and the private loan limitation. Investment earnings and profits on Gross Proceeds of the Bond in the Project

Construction Account shall be transferred to the Earnings Fund upon receipt thereof as provided in Section 5.04 hereof. Amounts, if any, remaining in the Project Construction Account shall, upon receipt from the Issuer of a certificate certifying that no further amounts are required to be disbursed for costs and expenses of the Project, be invested at a Yield not in excess of the Yield of the Bond and shall be transferred and used for redemption of the Bond (or a portion thereof) on the interest payment date next succeeding and the Project Construction Account shall be closed.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 5.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments, subject, however, to the provisions of Section 5.04 and Section 6.11 hereof.

Section 5.03. Covenants of the Issuer as to System Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued to the date of such payment, the Issuer further covenants with the holder of the Bond as follows:

(A) REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided herein 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 provided herein.

(B) DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of Section 5.04 hereof:

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

(ii) The Issuer shall next, on or before the **due** date of **payment** of each installment on the Bond, transfer from the Revenue Fund and remit to the National Finance Office **designated** in the Bond the amount required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond **issue**.

(iii) The Issuer shall also, on each **date** that **payment** is made as set forth in (ii) **above**, transfer from **the** Revenue Fund and remit to the Depository Bank for deposit in the **Reserve** Fund, 1/12th of 1/10th of the amount, as of the date of calculation, **equal** to the maximum amount of **principal** and interest which will become **due** on **the** Bond in **any year**, but in no event to **exceed** 10% of the proceeds of the Bond, such sum being herein called the "Minimum Reserve." After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into **the** Reserve Fund such part of the moneys remaining in the Revenue Fund, after such **provision** for payment of monthly installments on the Bond **and** for payment of Operating Expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the **Reserve** Fund not required to be transferred to the Earnings Fund pursuant to Section 5.04 hereof shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bond to said National Finance Office as the same shall become due or for **prepayment** of installments on the Bond, or for mandatory prepayment of the Bond as hereinafter provided, and for no other purpose.

(iv) The Issuer shall next, on each date that payments are made as set forth in (ii) above, transfer from the Revenue Fund and deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$111,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve, other than any sum or sums required to be transferred to the Earnings Fund, shall be

used first to make up any deficiencies for monthly payments of principal of and interest on the Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom other than pursuant to Section 5.04 hereof. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve, other than any sum or sums required to be transferred to the Earnings Fund, may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(v) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not **required** to be retained therein, if any ("Surplus Revenues"), **may be used** to **prepay** installments of the Bond or for any lawful purpose.

Whenever the moneys in the Reserve Fund (other than moneys required to be transferred to the Earnings Fund pursuant to Section 5.04 hereof) shall be sufficient to prepay the Bond in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bond at the earliest **practical date and in accordance with applicable provisions hereof.**

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

All the funds provided for in this Section and the Earnings Fund, except with respect to Excess Investment Earnings in the Earnings Fund which shall be held for rebate to the United States free from any such lien or trust, shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon

(other than such Excess Investment Earnings as aforesaid) for further securing payment of the Bond and the interest thereon, but the Depository **Bank** shall not be a trustee as to such funds or the Rebate Fund.

If on any **payment date** the **Revenues** are insufficient to make the **payments** and transfers as **hereinabove provided**, the **deficiency** shall be **made** up in the subsequent **payments** and transfers in addition to those which would otherwise be **required to be made** on the subsequent payment dates.

The Depository Bank, at the direction of the Issuer, shall keep the **moneys** in **the Reserve Fund, the Depreciation Reserve, the Earnings Fund and the Rebate Fund** invested and reinvested to the fullest extent possible in **accordance** with **applicable** law, and to the extent **practicable**, in **Qualified Investments** having maturities consonant with the required use thereof, subject to the provisions of Sections 5.04 and 6.11 hereof except that moneys held in the Earnings Fund and Rebate Fund shall only be invested in Government Obligations. Investments in **any fund or** account under this **Bond** Legislation shall, unless otherwise **provided** herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is **held** by the "**consolidated fund**" **managed** by the West Virginia State Board of Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the **appropriate** fund, except to the extent otherwise **provided** in *Section* 5.04 hereof.

(C) 'CHANGE OF DEPOSITORY BANK AND FISCAL AGENT. The Issuer **may** designate another bank insured by FDIC as Depository Bank and Fiscal Agent if the aforesaid bank should cease for any reason to serve or if the Governing Body determines by resolution that said bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) USER CONTRACTS. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be at least 468 bona fide users upon the System on completion of the Project, in full compliance with the requirements and conditions of the Purchaser.

(E) CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

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

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

(H) GROSS REVENUES. The Gross Revenues of the System shall only be used for purposes of the System.

Section 5.04. Rebate of Excess Investment Earnings to the United States. A. EARNINGS AND REBATE FUNDS. All interest earnings and profits on amounts in all funds and accounts provided for and/or established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than \$100,000, except for interest earnings and profits on the Earnings Fund, which shall be retained therein until applied as herein set forth, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds and accounts held by the Issuer or otherwise shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as required under the Code and Regulations, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the

Depository Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

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

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Purchaser and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Purchaser and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bond in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a

Nonpurpose Investment, so that **gain or** loss on the disposition of such Investment Property shall be computed with **reference to** such fair market **value** as its **adjusted** basis.

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

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

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

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

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

E. FURTHER OBLIGATION OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section and except as otherwise required under the Code and the Regulations promulgated thereunder. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bond, records of the determinations made pursuant to this Section 5.04.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 5.04, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bond, as may be necessary in order to fully comply with Section 148(f) of the Code. **Additionally**, in the event of a failure to pay to the United States any amount required under Section 148(f) of the Code, the Issuer *will pay* to the United States a penalty in an amount equal to the sum of 50% of the amount not paid, plus interest at the required rate on the portion of the amount which was not paid on the required date, beginning on such date, unless waived.

ARTICLE VI

GENERAL COVENANTS, ETC.

Section 6.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the **Reserve** Fund (other than sums required to be transferred to the Earnings Fund) a sum sufficient to prepay the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and **legally** binding covenants between the Issuer and the Purchaser.

Section 6.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to *time* whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bond, and sufficient to make the payments required to be made into the Reserve Fund and Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such Fiscal Year, and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 6.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 6.04. Issuance of Additional Parity Bonds or Obligations. **No additional parity bonds or obligations payable** out of the **Revenues** of the System shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser.

Section 6.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

- (a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the

Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance **proceeds** for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value **thereof**.

(b) Public Liability Insurance, with limits of not less than \$500,000 for **one or more persons injured or killed in one accident** to protect the Issuer from claims for **bodily** injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bond.

(c) Vehicular Public Liability Insurance, in the **event the Issuer** owns or **operates any vehicle** in the operation of the **System**, or in the **event that any vehicle** not **owned by** the Issuer is **operated** at **any** time or times for **the** benefit of the Issuer, with limits of not less than **\$500,000** for **one** or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for all Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed

with the Clerk of the County Commission of said County **prior** to commencement of construction of **the Project** in compliance with West Virginia Code Section 38-2-39. **Workers' compensation** insurance will **be** maintained as **required by** law.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the *Issuer* in an amount at least equal to **the** total funds in the custody of any such person at any one time, and initially in the amount of \$50,000 upon the Secretary, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(f) Provided, however, and in lieu of and notwithstanding the *foregoing provisions* of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 6.06. Fiscal Year; Budget. While the Bond is **outstanding and unpaid** and to the extent not now prohibited by law, **the System shall be** operated and maintained on a Fiscal **Year** basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the *Annual* Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control **of the Issuer**. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 6.07. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Governing Body on the date of adoption **hereof**, subject to permitted changes.

Section 6.08. Books and Records: Audits. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and **data** of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer further covenants to comply with the Act with respect to such books, **records and accounts**.

Section 6.09. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bond is outstanding.

Section 6.10. No Competition. The Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the **services** supplied by the System within **the** boundaries of the Issuer or within the territory served by the System.

Section 6.11. Arbitrage. The Issuer shall not take, or permit or suffer to be taken, any action with respect to the Gross Proceeds of the Bond which would cause **the Bond** to be an "arbitrage bond" within the meaning of Section 148 of the Code and Regulations promulgated thereunder.

Section 6.12. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

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

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

D. INFORMATION RETURN. The Issuer **will timely file all** statements, instruments and returns necessary to assure the exemption from **taxation** of the interest on the Bond, including without limitation, the information return **required** under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will **take all actions that may be required of it so that the interest on the Bond will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions the result of which would adversely affect such exclusion.**

Section 6.13. Statutory Mortgage. For the further protection of the holders of the Bond, 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 the delivery of the Bond.

Section 6.14. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment upon the Bond at the date **specified for payment thereof;**

(B) Failure **duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law.**

Section 6.15. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may **proceed** to protect and enforce its rights by an **appropriate** action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect

and receive all revenues and apply the same in such manner as the court may direct.

Section 6.16. Compensation of Members of Governing Body.

The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

ARTICLE VII

RATES, ETC.

Section 7.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the **services and facilities of the** System, subject to **change consonant with the provisions hereof**, shall be as set forth in the Final Order of the Public Service Commission of West Virginia entered December 22, 1987, in Case No. 87-113-W-CN, which final order is incorporated herein by reference as a part hereof.

B. There shall not be **any** discrimination or **differential** in rates between customers in similar circumstances.

C. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and **disposed** of under the applicable rules and regulations of the Public Service Commission of West Virginia.

D. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same *time of* a **sewer** bill owed **by** such customer for the **same premises**.

E. All delinquent fees, rates and charges for services or facilities of **the** System shall be liens on the premises served of **equal degree, rank and** priority with the lien on such premises of state, county, school and municipal taxes, as **provided** in the Act. The Issuer shall have such remedies and powers as are provided under the Act **and** other **applicable** provisions of law with **regard** to the collection and enforcement of such rates and charges.

F. The Issuer will not render **or** cause to **be rendered** any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of *the* services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Defeasance of Bond. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Bond, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond, except as may otherwise be necessary to assure the exclusion of interest on the Bond from gross income for federal income tax purposes, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser, except that no consent from the Purchaser shall be required to make such additions, deletions or modifications as may be necessary to assure compliance with Section 148(f) of the Code relating to required rebate of Excess Investment Earnings to the United States or otherwise as may be necessary to assure the exemption from federal income taxation of interest on the Bond.

Section 8.03. Delivery of Bond No. R-1. The Chairman, Treasurer and Secretary of the Governing Body are hereby authorized and directed to cause Bond No. R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 8.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

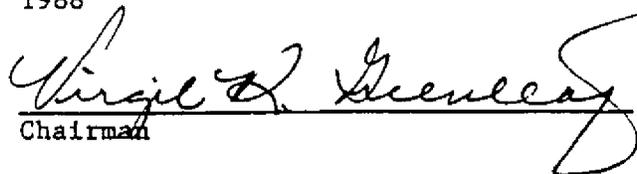
Section 8.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflict, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmEA 442-47).

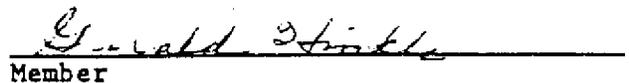
Section 8.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

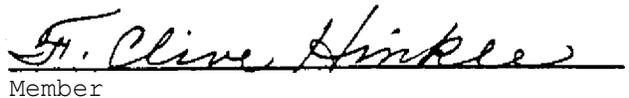
Section 8.07. Covenant of Due Procedure, Etc. The issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular 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 8.08. Effective Date. This Resolution **shall take** effect immediately upon its adoption.

Adopted: April 25, 1988


Chairman


Member


Member

04/21/88
ADRIA2-A

ADRIAN PUBLIC SERVICE DISTRICT

**Water Revenue Bonds,
Series 1996 A and Series 1996 B**

BOND RESOLUTION

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ADRIAN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$650,000 WATER REVENUE BOND, SERIES 1996 A, AND \$850,000 WATER REVENUE BOND, SERIES 1996 B, OF ADRIAN PUBLIC SERVICE DISTRICT, ON A PARITY WITH THE OUTSTANDING WATER REVENUE BOND, SERIES 1989, OF THE DISTRICT, TO FINANCE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE DISTRICT AND ALL APPURTENANT FACILITIES; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITIES FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF ADRIAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. Adrian Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Upshur County of said State, duly created pursuant to the Act by The County Commission of Upshur County.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. The Issuer currently owns and operates a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, improvements and extensions to such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of approximately 135,000 linear feet of 6-inch, 4-inch and 2-inch water lines, incorporating one hydroneumatic booster station, south of the City of Buckhannon, Upshur County, and all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, extensions or improvements thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bonds (hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

D. The estimated maximum cost of the acquisition and construction of the Project is \$2,785,000, of which \$1,500,000 will be obtained from the proceeds of sale of the Bonds herein authorized, \$535,000 will be obtained from a grant from the Purchaser and \$750,000 will be obtained from a grant from the United States Department of Housing and Urban Development (Small Cities BLock Grant through the State of West Virginia).

E. It is necessary for the Issuer to issue its water revenue bonds in the total principal amount of \$1,500,000, in two series, being the 1996 A Bond (hereinafter defined), in the principal amount of \$650,000, and the 1996 B Bond (hereinafter defined), in the aggregate principal amount of \$850,000 (collectively, the "Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and *such* other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the

repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There is outstanding an obligation of the Issuer which will rank on a parity with the Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1989, dated July 21, 1988, issued in the original principal amount of \$990,000 (the "Prior Bond"), held by the Purchaser. As of the date of issuance of the Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Bonds as to liens, pledge and/or source of and security for payment.

The Issuer is not in default under the terms of the Prior Bond, or any resolution authorizing issuance of the Prior Bond or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

H. It is in the best interest of the Issuer that the Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated June 14, 1991, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds, or will have so complied prior to issuance of the Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

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

"1996 A Bond" means the Water Revenue Bond, Series 1996 A, authorized hereby to be issued pursuant to this Bond Legislation.

"1996 B Bond" means the Water Revenue Bond, Series 1996 B, authorized hereby to be issued pursuant to this Bond Legislation.

"Bond Legislation" means this Resolution and all resolutions supplemental hereto and amendatory hereof.

"Bond Registrar" means the Issuer, which shall usually so act by its Secretary.

"Bonds" means, collectively, the 1996 A Bond and the 1996 B Bond.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Horror Brothers Engineers, Clarksburg, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means Bank One, West Virginia, National Association, Buckhannon, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Public Service Board of the Issuer.

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

"Grants" means, collectively, the grant from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) and the grant from the Purchaser, committed for the Project.

"Herein" or "herein" means in this Bond Legislation.

"Issuer," "Borrower" or "District" means Adrian Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Upshur County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated June 14, 1991, and all amendments thereto, if any.

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

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

"Prior Bond" means the outstanding Water Revenue Bond, Series 1989, of the Issuer described in Section 1.02G hereof.

"Prior Resolution" means the Resolution of the Issuer adopted April 25, 1988, authorizing issuance of the Prior Bond.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

- (a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

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

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

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

"Registered Owner," "Bondholder," "Holder of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolution and the Bond Legislation.

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

"Secretary" means the Secretary of the Governing Body.

"Surplus Revenues" shall have the meaning set forth in Section 4.03B(v) hereof.

"System" means the existing waterworks of the Issuer as improved, extended, enlarged and expanded by the Project, and includes the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks system of the Issuer.

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

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 neuter gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of \$2,785,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Bonds of the Issuer, to be known as "Water Revenue Bond, Series 1996 A" and "Water Revenue Bond, Series 1996 B," are hereby authorized to be issued in the respective principal amounts of \$650,000 and \$850,000 for a total aggregate principal amount of not exceeding \$1,500,000 for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. A. The 1996 A Bond shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1996 A Bond shall bear interest from the date of delivery, payable monthly at the rate of 4.5 % per annum, and shall be sold for the par value thereof.

B. The 1996 B Bond shall be issued in single form, numbered BR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1996 B Bond shall bear interest from the date of delivery, payable monthly at the rate of 4.5% per annum, and shall be sold for the par value thereof.

The Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Bonds, and the right to principal of and stated interest on the Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bonds as hereinbefore provided.

The Bond Registrar shall accept the Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the senior and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be Federal Building, Room 320, 75 High Street, Morgantown, West Virginia 26505-7500, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Bond shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Bonds shall have matured or be about to mature, instead of

issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured forthwith equally and on a parity with each other by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided for as to the Bonds, all on a parity with the Prior Bond. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bonds and the Prior Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds and the Prior Bond as the same become due.

Section 3.08. Form of Bonds. Subject to the provisions hereof, the text of the Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF 1996 A BOND)

ADRIAN PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1996 A

\$650,000

No. AR-1

Date:

FOR VALUE RECEIVED, ADRIAN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of SIX HUNDRED FIFTY THOUSAND DOLLARS (\$650,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$2,984, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of

authorized denomination, or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE BORROWER'S WATER REVENUE BOND, SERIES 1996 B, DATED THE DATE HEREOF, ISSUED CONCURRENTLY IN THE ORIGINAL PRINCIPAL AMOUNT OF \$850,000, AND WATER REVENUE BOND, SERIES 1989, DATED JULY 21, 1988, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$990,000, ALL AS DEFINED AND DESCRIBED IN SAID RESOLUTION.

IN WITNESS WHEREOF, ADRIAN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

ADRIAN PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board _____
(Title of Executive Official)

P. O. Box 87 _____
(P. O. Box No. or Street Address)

French Creek, West Virginia 26218
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$		(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____

In the presence of:

(FORM OF 1996 B BOND)

ADRIAN PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1996 B

\$850,000

No. BR-1

Date:

FOR VALUE RECEIVED, ADRIAN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of EIGHT HUNDRED FIFTY THOUSAND DOLLARS (\$850,000), plus interest on the unpaid principal balance at the rate of 4.5 % per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$3,902, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of

authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE BORROWER'S WATER REVENUE BOND, SERIES 1996 A, DATED THE DATE HEREOF, ISSUED CONCURRENTLY IN THE ORIGINAL PRINCIPAL AMOUNT OF \$650,000, AND WATER REVENUE BOND, SERIES 1989, DATED JULY 21, 1988, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$990,000, ALL AS DEFINED AND DESCRIBED IN SAID RESOLUTION.

IN WITNESS WHEREOF, ADRIAN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

ADRIAN PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board _____
(Title of Executive Official)

P. O. Box 87
(P. O. Box No. or Street Address)

French Creek, West Virginia 26218
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$		(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(II) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		-(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL

(Form of Assignment)

ASSIGNMENT

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

Dated: _____

In the presence of:

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the Prior Resolution), and shall be held by, the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) , Revenue Fund (established by the Prior Resolution);
- (2) Reserve Fund (established by the Prior Resolution);
- (3) Depreciation Reserve (established by the Prior Resolution); and
- (4) Project Construction Account.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Moneys in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance

remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds.

So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions 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 provided in the Resolutions.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Resolution not otherwise modified herein:

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

(ii) The Issuer shall next, on or before the due date of payment of each installment on the Bonds and the Prior Bond, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bonds and the Prior Bond (or such other place as may be provided pursuant to the Bonds and the Prior Bond), the amounts required to pay the interest on the Bonds and the Prior Bond, and to amortize the principal of the Bonds and the Prior Bond over the respective life of each Bond issue. All payments with respect to principal of and interest on the Bonds and the Prior Bond shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(iii) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund, 1112th of 1110th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal

and interest becoming due on the Bonds and the Prior Bond in any year, until the amount in the Reserve Fund equals such maximum amount (the "Minimum Reserve"). After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and the Prior Bond and for payment of Operating Expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bonds and the Prior Bond to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bonds and the Prior Bond, or for mandatory prepayment of the Bonds and the Prior Bond as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other; provided, however, that when the Minimum Reserve has been accumulated in the Reserve Fund all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund.

(iv) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund until there has been accumulated in the Depreciation Reserve the aggregate sum of \$250,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds and the Prior Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(v) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any

("Surplus Revenues"), may be used to prepay installments of the Bonds and the Prior Bond, pro rata, or for any lawful purpose.

Whenever the money in the Reserve Fund shall be sufficient to prepay the Bonds and the Prior Bond in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bonds and the Prior Bond at the earliest practical date and in accordance with applicable provisions hereof.

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

All the funds provided for in this Section other than the Project Construction Account shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the Prior Bond and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Subject to the Prior Resolution, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Subject to the Prior Resolution, earnings upon moneys in the Reserve Fund, so long as the

Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

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

D. **USER CONTRACTS.** The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be at least 840 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

E. **CHARGES AND FEES.** The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

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

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

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

Section 4.04. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$1,000,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender acceptable to the Purchaser. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Bonds or the Grants or from Surplus Revenues. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bonds and the Prior Bond and sufficient to make the payments required herein into the Reserve Fund and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or

destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's **risk** insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$50,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage in. For the further protection of the Holder of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the statutory mortgage lien in favor the Holder of the Prior Bond, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bonds and shall be for the equal benefit of the Bonds and the Prior Bond.

Section 5.07. Events' Default. Each of the following events is hereby declared an "Event of Default":

(a) Failure to make payment of any monthly amortization installment upon the Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

Section 5.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.09. Fiscal Year; Budget. While the Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and

maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 5.12. Books and Records; Audits. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on December 22, 1987, Case No. 87-113-W-CN, which Final Order is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers' provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Bondholder.

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 7.05. Conflictin^g Provisions Repealed. The Prior Resolution and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolution.

All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FrnHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

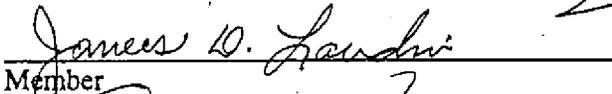
Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular 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.

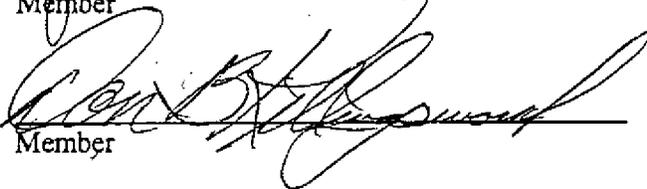
Section 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted: September 11, 1996. ,

ADRIAN PUBLIC SERVICE DISTRICT


Chairman


Member


Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of ADRIAN PUBLIC SERVICE DISTRICT on the 11th day of September, 1996.

Dated: September 11, 1996.

[SEAL]


Secretary, Public Service Board

09/04/96
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ADRIAN PUBLIC SERVICE DISTRICT
Water Revenue Bonds, Series 2000 A
(United States Department of Agriculture)

BOND RESOLUTION

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ADRIAN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF ADRIAN PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,800,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2000 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF ADRIAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

Section 1.01. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. Adrian Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Upshur County of said State, duly created pursuant to the Act by The County Commission of Upshur County.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. The Issuer currently owns and operates a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, improvements and extensions to such existing

waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of approximately 130,600 linear feet of 2-inch, 4-inch and 6-inch water lines incorporating one booster station, one hydropneumatic pumping station and one water storage tank, and all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$3,100,000, of which \$1,800,000 will be obtained from the proceeds of sale of the Series 2000 A Bonds herein authorized, \$1,050,000 will be obtained from a grant from the Purchaser and \$250,000 will be contributed by the Issuer.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2000 A (United States Department of Agriculture), in the aggregate principal amount of \$1,800,000 (the "Series 2000 A Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2000 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the

Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2000 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1989, dated July 21, 1988, issued in the original aggregate principal amount of \$990,000, the Water Revenue Bonds, Series 1996 A, dated September 11, 1996, issued in the original aggregate principal amount of \$650,000, and the Water Revenue Bonds, Series 1996 B, dated September 11, 1996, issued in the original aggregate principal amount of \$850,000 (collectively, the "Prior Bonds"), and held by the Purchaser. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2000 A Bonds as to liens, pledge and/or source of and security for payment.

The Issuer is not in default under the terms of the Prior Bonds, or the resolutions authorizing issuance of the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

H. It is in the best interest of the Issuer that the Series 2000 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated July 2, 1999, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer **has** complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2000 A Bonds, or will have so complied prior to issuance of the Series 2000 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2000 A Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2000 A Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

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

"Bond Legislation" means this Resolution and all resolutions supplemental hereto and amendatory hereof.

"Bond Registrar" means the Issuer, which shall usually so act by its Secretary.

"Bonds" means, collectively, the Series 2000 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

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

"Consulting Engineer" means Horror Brothers Engineers, Clarksburg, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means Bank One, West Virginia, N.A., Buckhannon, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Public Service Board of the Issuer.

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

"Grants" means, collectively, all grants committed for the Project.

"Herein" or "herein" means in this Bond Legislation.

"Issuer," "Borrower" or "District" means Adrian Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Upshur County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated July 2, 1999, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2000 A Bonds in the then current or any succeeding year.

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

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

"Prior Bonds" means the Water Revenue Bond, Series 1989, the Water Revenue Bonds, Series 1996 A and the Water Revenue Bonds, Series 1996 B, of the Issuer described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the resolution of the Issuer, adopted April 25, 1988 (the "1988 Resolution"), authorizing the issuance of the Series 1989 Bond and the resolution of the Issuer, adopted September 11, 1996 (the "1996 Resolution"), authorizing the issuance of the Series 1996 A Bonds and Series 1996 B Bonds.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e)

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

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

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

"Registered Owner," "Bondholder," "Holder of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolution and the Bond Legislation.

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

"Secretary" means the Secretary of the Governing Body.

"Series 2000 A Bonds" means the Water Revenue Bonds, Series 2000 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"System" means the complete public waterworks system of the Issuer, presently existing in its entirety or any integral part thereof, and shall include the Project and any improvements and extensions thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

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 neuter gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of \$3,100,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2000 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2000 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2000 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of \$1,800,000, for the purpose of financing a portion of the cost of the acquisition and construction of the *Project*.

Section 3.02. Description of Bonds. The Series 2000 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2000 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.5% per annum, and shall be sold for the par value thereof.

The Series 2000 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2000 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2000 A Bonds, and the right to principal of and stated interest on the Series 2000 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2000 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2000 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2000 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2000 A Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2000 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2000 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2000 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2000 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2000 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2000 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2000 A Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2000 A Bonds shall cease to be such officer of the Issuer before the Series 2000 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2000 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2000 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2000 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2000 A Bonds shall have

matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2000 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2000 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2000 A Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2000 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

ADRIAN PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 2000 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$1,800,000

No. AR-1

Date: _____, 2000

FOR VALUE RECEIVED, ADRIAN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$1,800,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$8,262, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized

denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2000, authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BOND, SERIES 1989, WATER REVENUE BONDS, SERIES 1996 A, AND WATER REVENUE BONDS, SERIES 1996 B, AS DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, ADRIAN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

ADRIAN PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board _____
(Title of Executive Official)

P. O. Box 87
P. O. Box No. or Street Address)

French Creek, West Virginia 26218
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$		(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____

In the presence of:

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Series 1989 Bond Reserve Fund (established by the Prior Resolutions and continued hereby);
- (3) Series 1996 A and Series 1996 B Bonds Reserve Fund (established by the Prior Resolutions and continued hereby);
- (4) Depreciation Reserve (established by the Prior Resolutions); and
- (5) Project Construction Account.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2000 A Bonds Reserve Account.

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2000 A Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Moneys in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2000 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2000 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2000 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2000 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2000 A Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions 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 provided in the Resolutions.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Resolution not otherwise modified herein:

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

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Prior Bonds and the *Series 2000 A* Bonds, transfer from the Revenue Fund and remit to the National Finance Office, the amounts

required to pay the interest on the Prior Bonds and the Series 2000 A Bonds and to amortize the principal of the Prior Bonds and the Series 2000 A Bonds over the respective lives of each Bond issue. All payments with respect to principal of and interest on the Prior Bonds and the Series 2000 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Depository Bank for deposit into the Series 1989 Bond Reserve Fund, the amount required by the Prior Resolutions; (ii) to the Depository Bank for deposit in the Series 1996 A and Series 1996 B Bonds Reserve Fund, the amount required by the Prior Resolutions; and (iii) to the Commission for deposit into the Series 2000 A Bonds Reserve Account, 0.4167% of the Minimum Reserve, until the amount in the Series 2000 A Bonds Reserve Account equals the Minimum Reserve. Moneys in the Series 2000 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2000 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2000 A Bonds, or for mandatory prepayment of the Series 2000 A Bonds as hereinafter provided, and for no other purpose; provided, however, that when the Minimum Reserve has been accumulated in the Series 2000 A Bonds Reserve Account, all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Reserve, (i) the amount required by the Prior Resolutions; and (ii) 0.4167 % of the Minimum Reserve, until the amount in the Series 2000 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 2000 A Bonds are outstanding; provided, however, that in the event Revenues are insufficient to fund the Series 2000 A Bonds Reserve Account in accordance with Section 4.03B(3)(ii) above, or a withdrawal of funds from the Series 2000 A Bonds Reserve Account is made, payment of Revenues into the Depreciation Reserve as provided in this Section 4.03B(4)(ii) shall not be

made, but instead Revenues shall be applied to the replenishment of the Series 2000 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Depreciation Reserve as provided in this Section 4.03B(4)(ii) shall resume. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of interest on and principal of the Prior Bonds and the Series 2000 A Bonds as the same become due, and next to restore to the Reserve Fund and the Series 2000 A Bonds Reserve Account any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for replacements, repairs, improvements or extensions to the System.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Series 2000 A Bonds Reserve Account shall be sufficient to prepay the Series 2000 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2000 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2000 A Bonds Reserve Account as herein provided, and all amounts required for the Series 2000 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

The Issuer shall, on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required reserve account payments with respect to the Bonds and all such payments

shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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

The Revenue Fund, the Series 2000 A Bonds Reserve Account and the Depreciation Reserve shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2000 A Bonds and the interest thereon.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2000 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission and the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Series 2000 A Bonds Reserve Account and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount,

or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Investment Management. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from moneys in the Series 2000 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

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

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2000 A Bonds, provide evidence that there will be at least 1,177 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission or the Depository Bank then due.

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

G. REMITTANCES. All remittances made by the Issuer to the Commission or the Depository Bank shall clearly

identify the fund or account into which each amount is to be deposited.

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

I. RESERVE FUNDS. Pursuant to the Supplemental Resolution adopted as of the date hereof, the Issuer agrees that on the date set forth in the Supplemental Resolution, moneys in the Series 1989 Bond Reserve Fund and moneys in the Series 1996 A and 1996 B Bonds Reserve Fund shall be transferred from the Depository Bank to the Commission. Once the funds have been transferred to the Commission, the Issuer shall continue to make payments to the respective Reserve Funds in accordance with the Prior Resolutions and as stated herein, except that such payments shall be made to the Commission rather than to the Depository Bank.

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 2000 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$1,800,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2000 A Bonds or the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2000 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2000 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2000 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2000 A Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2000 A Bonds and the Prior Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2000 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2000 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or

destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2000 A Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for Ali Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a community which has been notified as having

special flood or mudslide prone areas, flood insurance must be obtained.

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$50,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2000 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2000 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2000 A Bonds.

Section 5.07. Events of Default. Each of the following events is hereby declared an "Event of Default" :

(a) Failure to make payment of any monthly amortization installment upon the Series 2000 A Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2000 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

Section 5.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.09. Fiscal Year; Budget. While the Series 2000 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1. of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10 % ; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 5.12. Books and Records; Audits. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2000 A Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body., agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges: Rules. A. The initial schedule of rates and charges *for* the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on August 17, 2000, Case No. 99-1648-PWD-CN, which Final Order is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2000 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2000 A Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2000 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2000 A Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2000 A Bonds.

Section 7.05. Conflicting Provisions Repealed. The Prior Resolutions and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions.

All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. 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 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted this 4th day of October, 2000.

ADRIAN PUBLIC SERVICE DISTRICT


Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of ADRIAN PUBLIC SERVICE DISTRICT on the 4th day of October, 2000.

Dated: October 6, 2000.

[SEAL]

Secr Lary

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09/28/00
002540199001

USDA UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

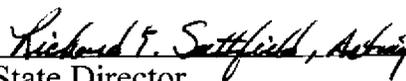
75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • fax 304.284.4893 • TTY/TDD 304.2844836

February 18, 2004

Adrian Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

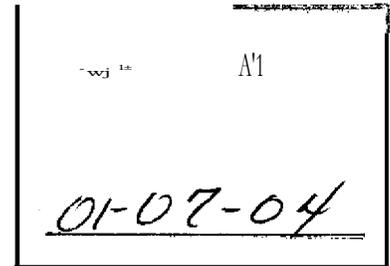
The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the entire outstanding aggregate principal amounts of the Prior Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2004 A (United States Department of Agriculture) (the "Bonds"), in the original aggregate principal amount of not to exceed \$1,200,000, by Adrian Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Bonds (the "Resolution"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bond, Series 1989, dated July 21, 1988, the Water Revenue Bonds, Series 1996 A, dated September 21, 1996, the Water Revenue Bonds, Series 1996 B, dated September 21, 1996 and the Water Revenue Bonds, Series 2000 A (United States Department of Agriculture), dated October 6, 2000 (collectively, the "Prior Bonds"); and (ii) waives any requirements imposed by the Prior Bonds or the resolution authorizing the Prior Bonds (collectively, the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Bonds or the Resolution.



State Director

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: December 18, 2003



CASE NO. 03-1001-PWD-CN

ADRIAN PUBLIC SERVICE DISTRICT,
a public utility, French Creek, Upshur County.

Application for a certificate of convenience and
necessity to expand the District's water distribution
system into unserved areas of the District.

RECOMMENDED DECISION

On June 30, 2003, Adrian Public Service District ("District") filed with the Public Service Commission ("Commission") an application for a certificate of convenience and necessity to expand the District's water distribution system into unserved areas of the District. The District was also requesting a rate increase. Included in the filing was a document from the USDA Rural Utilities Service committing to project funding consisting of a \$2,285,000 grant and a \$1,200,000 loan for 40 years at an interest rate of 4.5%.

On the same date, the Commission directed the District to cause to be published a Notice of Filing, which provided that, if no protests were received within thirty days of the date of publication, the Commission might waive formal hearing and grant the application based upon the evidence on file. By cover letter to the notice, the District's attention was drawn to the additional notice requirements of Rule 10.3.d. of the Commission's Rules of Practice and Procedure ("Rule 10.3.d").

On July 21, 2003, the District filed a copy of the permit for the project from WV Office of Environmental Health Services, Permit No. 15,716, issued July 17, 2003.

On August 11, 2003, the District filed an affidavit of publication, on July 25, 2003, of the Notice of Filing in the Record Delta, published in Buckhannon, Upshur County.

On August 15, 2003, the Commission, by Order, referred this matter to the Division of Administrative Law Judges for decision on or before January 15, 2004.

On September 9, 2003, Staff Attorney Meyishi Blair filed with the Commission a Final Joint Staff Memorandum, with an attached memorandum from Karen F. Buckley, of the Water and Wastewater Division, and Jefferson E. Brady, of the Engineering Division, recommending granting the application and approving the project, provided that construction not begin until a permit from the WV Division of Highways and the WV Department of Environmental Protection Stormwater NPDES permit were issued; all other required permits had been submitted. Staff further recommended approval of the project's funding, and the proposed rate increases. Staff modified the leak adjustment rate, and updated other provisions of the District's tariff.

On September 16, 2003, the District filed a copy of the postcard bill, mailed August 27, 2003, to all of the District's customers, advising them that the District was requesting a rate increase. Such notice is required by Rule 10.3.d.

On September 17, 2003, the District filed a letter from the Division of Highways approving the plans for the project.

On December 10, 2003, the District filed copies of the certified bid tabulations for the construction contracts for the project, which totaled \$2,648,101.45, within the estimated construction cost of \$2,716,000.

On December 15, 2003, the District filed copies of the outstanding WVNPDES Permit No. WVR100550, issued December 8, 2003.

FINDINGS OF FACT

1. On June 30, 2003, Adrian Public Service District filed with the Public Service Commission an application for a certificate of convenience and necessity to expand the District's water distribution system into unserved areas of the District. The project consists of eight separate line extensions to serve the following areas of southern Upshur County: Gould, Grand Camp and Big Bend Ridge; Beachtown Road; Natural Bridge, Evergreen and Alton; Route 11; Frenchton Road; Laurel Fork; Route 34; and Route 32. The entire project will consist of approximately 121,000 linear feet of 8, 6, 4, and 2-inch waterlines to serve approximately 240 households. (See application; Final Joint Staff Memorandum filed September 9, 2003).

2. The District published the Notice of Filing on July 25, 2003, in the Record Delta, and, on September 16, 2003, mailed to each of its customers postcard bills that announced that the District

was seeking a rate increase. No protest was filed. (See August 11 and September 16, 2003 filings; case file generally).

3. Required permits have been issued, including Health Services Permit No. 15,716, issued on July 17, 2003, and WVINPDES Permit No. WVR100550, issued December 8, 2003. (See application; July 21 and December 15, 2003 filings).

4. The project was estimated to cost \$3,485,000, of which \$2,716,000 was the estimated construction cost. The certified bid tabulations for the construction contracts for the project totaled \$2,648,101.45. (See application; Final Joint Staff Memorandum; December 10, 2003 filing).

5. The funding for the project is from the USDA Rural Utilities Service, consisting of a \$2,285,000 grant and a \$1,200,000 loan for 40 years at an interest rate of 4.5%. (See application; Final Joint Staff Memorandum).

6. Staff found the cost per customer for the project, \$18,151, to be extremely high, but, if the loan amount alone is considered, the cost per customer, \$6,250, is only slightly high. The customer density, 8.3 customers per mile, is low, but the project is nevertheless feasible because of the high level of grant-funding. (See Final Joint Staff Memorandum).

7. The proposed rates constitute an approximate 3.5% increase, and are sufficient to provide adequate debt coverage of 129.39%. (See application; Final Joint Staff Memorandum).

8. Staff recommended that the application for a certificate of convenience and necessity be granted and the project be approved, finding that the project was needed to provide good quality water and dependable water service to the potential customers, who presently have inadequate or undependable individual water sources. Staff further recommended that the funding and the proposed rate increases be approved, as provided in Appendix A hereto. Staff also updated other provisions of the District's tariff, including the leak adjustment rate, as provided in Appendix A hereto. (See Final Joint Staff Memorandum).

CONCLUSION OF LAW

It is appropriate to grant the application, pursuant to W.Va. Code §§16-13A-25 and 24-2-11, and to approve the project, its funding and the rate increases and other modifications to the District's tariff, as provided in Appendix A hereto, because the public convenience and necessity require the project; the funding is appropriate; Commission Staff has recommended such approval; and no protest was filed.

ORDER

IT IS, THEREFORE, ORDERED that the application filed on June 30, 2003, by Adrian Public Service District for a certificate of convenience and necessity to expand the District's water distribution system into unserved areas of the District, is granted, and the project is approved.

IT IS FURTHER ORDERED that the funding for the project, consisting of a 52,285,000 grant from the USDA Rural Utilities Service, and a \$1,200,000 loan from RUS, payable over 40 years at an interest rate of 4.5%, is approved.

IT IS FURTHER ORDERED that the rate increases and other modifications contained in the Approved Tariff, attached hereto as Appendix A, are approved, to become effective upon completion of the project.

IT IS FURTHER ORDERED that Adrian Public Service District file with the Commission's Tariff Office an original and five (5) copies of the approved tariff within thirty (30) days of the date that the certificated project becomes operational.

IT IS FURTHER ORDERED that, if there is any change in the cost of the project, estimated at \$3,485,000, or in the terms, conditions or scheduling of the project, Adrian Public Service District file a petition with the Commission for approval of such revisions.

IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon Commission Staff by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed, this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make

any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

Sunya Anderson
Administrative Law Judge

SA:s
031001a.wpd

ADRIAN PUBLIC SERVICE DISTRICT
CASE NO.03-1001-PWD-CN
APPROVED TARIFF

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial water service.

RATES

First	3,000 gallons used per month	\$7.64 per 1,000 gallons
Next	3,000 gallons used per month	\$7.32 per 1,000 gallons
Next	4,000 gallons used per month	\$7.06 per 1,000 gallons
Next	10,000 gallons used per month	\$6.80 per 1,000 gallons
All Over	20,000 gallons used per month	\$6.54 per 1,000 gallons

MINIMUM CHARGE

No bill shall be rendered for less than \$22.92 per month.

5/8 inch meter	\$ 22.92
3/4 inch meter	\$ 34.38
1 inch meter	\$ 57.30
1-1/2 inch meter	\$ 114.60
2 inch meter	\$ 183.36
3 inch meter	\$ 343.80
4 inch meter	\$ 573.00
6 inch meter	\$1,146.00
8 inch meter	\$1,833.60

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

TAP FEE

The following charges are to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$100.00 will be charged to customers applying for service before construction is completed adjacent to the customers premises in connection with a certificate proceeding before the Commission. This pre-construction tap fee will be invalid after the completion of construction adjacent to an applicant's premises that is associated with a certificate proceeding.

A tap fee of \$250.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RECONNECTION

\$20.00 - To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the District or a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

\$1.71 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible water leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

ADRIAN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

RECEIPT FOR BOND

The undersigned, authorized representative of the United States Department of Agriculture, Rural Utilities Service, for and on behalf of the United States of America (the "Purchaser"), hereby certifies as follows:

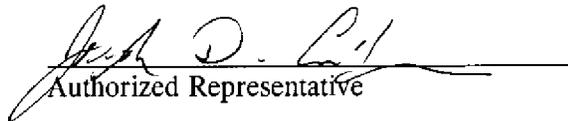
1. On the 18th day of February, 2004, at Buckhannon, West Virginia, the undersigned received for the Purchaser the single, fully registered Adrian Public Service District Water Revenue Bond, Series 2004 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$1,200,000 (the "Bonds"), dated the date hereof, bearing interest at the rate of 4.5% per annum, payable in monthly installments as stated in the Bonds. The Bonds represent the entire above-captioned Bond issue.

2. At the time of such receipt, the Bonds have been executed and sealed by the designated officials of the Public Service Board of Adrian Public Service District (the "Issuer").

3. At the time of such receipt, there was paid to the Issuer the sum of \$268,700 being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

4. At the time of such receipt, the undersigned also received three sets of bond transcript documents.

WITNESS my signature on this 18th day of February, 2004.


Authorized Representative

02/11/04
002540/00001

SPECIMEN

ADRIAN PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2004 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$ 1,200,000

No. AR-I

Date: February 18, 2004

FOR VALUE RECEIVED, ADRIAN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$5,508, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by **his**, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized

denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted October 4, 2004, authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act of 1965. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BOND, SERIES 1989, WATER REVENUE BONDS, SERIES 1996 A, WATER REVENUE BONDS, SERIES 1996 B, AND WATER REVENUE BONDS, SERIES 2000, AS DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, ADRIAN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

ADRIAN PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]


Chairman, Public Service Board
P. O. Box 87
French Creek, West Virginia 26218

ATTEST:


Secretary, Public Service Board

SP-123456789

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$ 268,700	February 18, 2004	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) <u>1</u>	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	
TOTAL		\$	<hr style="width: 100%;"/>

ASSIGNMENT

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

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

Dated: _____

In the presence of:

ADRIAN PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2004 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$1,200,000

REGISTRATION BOOKS

(No writing on these Books except by the Issuer as Registrar)

<u>Bond No.</u>	<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Secretary of Registrar</u>
AR-1	February 18, 2004	United States Department of Agriculture	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____

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February 18, 2004

Adrian Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

Adrian Public Service District
French Creek, West Virginia

United States Department of Agriculture
Morgantown, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Adrian Public Service District in Upshur County, West Virginia (the "Issuer"), of its \$1,200,000 Water Revenue Bonds, Series 2004 A, dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted February 13, 2004 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds, on a parity with the Issuer's Water Revenue Bond, Series 1989, dated July 21, 1988, issued in the original aggregate principal amount of \$990,000, the Water Revenue Bonds, Series 1996 A, dated September 11, 1996, issued in the original aggregate principal amount of \$650,000, the Water Revenue Bonds, Series 1996 B, dated September 11, 1996, issued in the original

aggregate principal amount of \$850,000, and the Water Revenue Bonds, Series 2000 A (United States Department of Agriculture), dated October 6, 2000, issued in the original aggregate principal amount of \$1,800,000.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

5. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

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

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

Very truly yours,

/s/



STEPTOE & JOHNSON PLLC

LAW OFFICES
WEST 8C JONES
360 WASHINGTON AVENUE
P.O. BOX 2348

CLARKSBURG, WEST VIRGINIA 26302-2348

JAMES C. WEST, JR.
JERALD E. JONES
DEAN C. **RAMSEY**
NORMAN T. FARLEY

February 18, 2004

TELEPHONE (304) 624-5501
FAX (304) 624-4454
E mail: Westandjones@ool.com

Adrian Public Service District
P. O. Box 87
French Creek, WV 26218

United States Department of Agriculture
75 High Street
Federal Building, Room 320
Morgantown, WV 26505-7500

Steptoe & Johnson
Attorneys at Law
P. O Box 2190
Clarksburg, WV 26302-2190

Re: Adrian Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

Ladies and Gentlemen:

We are counsel to Adrian Public Service District, a public service district in Upshur County, West Virginia (the Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, a resolution of the Issuer duly adopted February 13, 2004, (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Upshur County relating to the creation of the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

To the best of our knowledge, we are of the opinion that:

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

Adrian Public Service District
United States Department of Agriculture
Steptoe & Johnson
February 18, 2004
Page two

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

3. The Resolution has been duly adopted by the Issuer and is in full force and effect.

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from The County Commission of Upshur County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

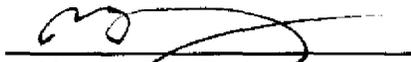
6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the

Adrian Public Service District
United States Department of Agriculture
Steptoe & Johnson
February 18, 2004
Page three

transactions contemplated by the Bonds or the Resolution, the acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Very truly yours,

WEST & JONES

By: 
Norman T. Farley

NTF: leh

ADRIAN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BONDS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES, ETC.
6. CERTIFICATION OF COPIES OF DOCUMENTS
7. INCUMBENCY AND OFFICIAL NAME, ETC.
8. DELIVERY AND PAYMENT AND USE OF PROCEEDS
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
11. CONTRACTORS' INSURANCE, ETC.
12. CONNECTIONS, ETC.
13. MANAGEMENT
14. GRANTS
15. CONFLICT OF INTEREST
16. PROCUREMENT OF ENGINEERING SERVICES
17. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Adrian Public Service District in Upshur County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify in connection with the Adrian Public Service District Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$1,200,000 and bearing interest at the rate of 4.5% per annum (the "Bonds" or the "Series 2004 A Bonds"), as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Bonds has been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions of the Purchaser, dated August 12, 2002, and all amendments thereto, and as appears in Section 7.03 of the

Resolution of the Issuer duly adopted February 13, 2004, authorizing issuance of the Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Bonds are being issued on this date to finance a portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the issuance and delivery of the Bonds or receipt of any grant monies committed for the System; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds; nor in any way questioning or affecting the validity of the grants committed for the System or the Bonds, or any provisions made or authorized for the payment thereof, including, without limitation, the pledge or application of any monies or security therefor; nor questioning the existence, powers or proceedings of the Issuer or its Public Service Board (the "Governing Body") or the title of the members and officers thereof to their respective offices; nor questioning the operation of the System or the acquisition and construction of the Project, a portion of the cost of which is being financed out of the proceeds of sale of the Bonds; nor questioning the rates and charges provided for services of the System.

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

The Issuer has received the Final Order of the Public Service Commission of West Virginia dated January 7, 2004, in Case No. 03-1001-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of such Final Order has expired prior to the date hereof.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval by the Purchaser of a loan to assist in acquisition and construction of the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2004 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1989, dated July 21, 1988, issued in the original aggregate principal amount of \$990,000, the Water Revenue Bonds, Series 1996 A, dated September 11, 1996, issued in the original aggregate principal amount of \$650,000, the

Water Revenue Bonds, Series 1996 B, dated September 11, 1996, issued in the original aggregate principal amount of \$850,000 and the Water Revenue Bonds, Series 2000 A (United States Department of Agriculture), dated October 6, 2000, issued in the original aggregate principal amount of \$1,800,000 (collectively, the "Prior Bonds"), and held by the Purchaser. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2004 A Bonds as to liens, pledge and/or source of and security for payment.

The Issuer is not in default under the terms of the Prior Bonds, or the resolutions authorizing issuance of the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

5. SIGNATURES, ETC.: The undersigned Chairman and Secretary did, for the Issuer on the date of delivery of the Bonds on the date hereof, officially execute and seal the Bonds with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected, appointed, qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer.

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

Bond Resolution

1989 Bond Resolution

1996 Bond Resolution

2000 Bond Resolution

Consent to Issuance of Parity Bonds

Public Service Commission Order

County Commission Orders Regarding Creation and Enlargement of the District and Approval of Public Service Commission

County Commission Orders of Appointment of Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Borrowing

Minutes of Current Year Organizational Meeting

Minutes of Adoption of Bond Resolution and Supplemental Resolution and Affidavit of Publication

United States Department of Agriculture Letter of Conditions and Closing Instructions

United States Department of Agriculture Grant Agreement

Water Purchase Agreement with City of Buckhannon

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Adrian Public Service District" and its principal office and place of business are in Upshur County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Don B. Killingsworth	01/10/02	01/09/08
Sharon L. Bowen	09/09/99	09/08/05
James D. Loudin	10/02/03	10/01/09

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2004 are as follows:

Chairman	-	Don B. Killingsworth
Vice Chairman	-	Sharon L. Bowen
Secretary-Treasurer	-	James D. Loudin

The duly appointed and acting Attorney for the Issuer is West & Jones of Clarksburg, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Bonds were delivered to the Purchaser at Buckhannon, West Virginia, by the undersigned Chairman for the purposes set forth herein, and at the time of such delivery the Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Bond Resolution.

At the time of delivery of the Bonds, the amount of \$268,700 was received by the undersigned Chairman, being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.5% per annum is payable from the date of each such advance.

The Bonds and the entire proceeds thereof will be used for the purposes herein set forth and for no other purposes.

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

10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

11. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Workers' Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Letter of Conditions of the Purchaser, as amended, and the Bond Resolution.

12. CONNECTIONS, ETC.: The Issuer will serve at least 1,457 bona fide full-time users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

13. MANAGEMENT: The Issuer has heretofore delivered to the Purchaser a plan concerning operation and management of the System, which plan was found to be acceptable by such Purchaser.

14. GRANTS: As of the date hereof, the grant from the Purchaser in the amount of \$2,285,000 is committed and in full force and effect.

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

16. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

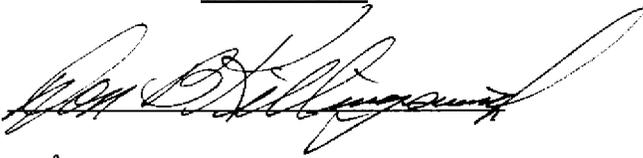
17. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official seal of ADRIAN PUBLIC SERVICE DISTRICT on this 18th day of February, 2004.

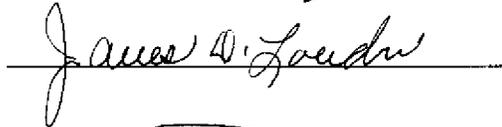
[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

A handwritten signature in black ink, appearing to be "John B. Fitzgerald", written over a horizontal line.

Chairman

A handwritten signature in black ink, appearing to be "James D. Loefer", written over a horizontal line.

Secretary

A horizontal line with a small dash above it, indicating a blank space for a signature.

Attorney for Issuer

02/05/04
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ADRIAN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

I, Paul A. Hornor, III, Registered Professional Engineer, West Virginia License No. 10281, of Hornor Brothers Engineers, Clarksburg, West Virginia, hereby certify that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing waterworks system (the "System") of Adrian Public Service District (the "Issuer"), to be acquired and constructed in Adrian, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

I further certify that the Project is adequate for the purpose for which it was designed and that all necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained or can and will be obtained.

WITNESS my signature on this 18th day of February, 2004.

HORNOR BROTHERS ENGINEERS

%CZ00,c,,,77TT

Paul A. Hornor, III
West Virginia License No. 10281

01/22/04
002540.00001

HARRIS & COMPANY;

Certified Public Accountants

Buckhannon Office
P.O. Box 732
Buckhannon, WV 26201
(304) 472-1928

February 18, 2004

Weston Office
235 North River Avenue
Weston, WV 26452
(304) 269-2269

Adrian Public Service District
Water Revenue Bonds, Series 2004A
(United States Department of Agriculture)

Adrian Public Service District
French Creek, West Virginia

Steptoe Et Johnson, PLLC
Charleston, West Virginia

United States Department of Agriculture, Rural Utilities Service
Elkins, West Virginia

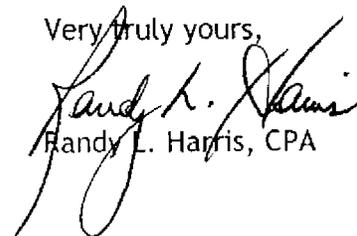
Ladies and Gentlemen:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia in Case No. 03-1001-PWD-CN, dated January 7, 2004, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by Honor Brothers Engineers, Consulting Engineer, it is my opinion that such rates and charges will be sufficient to provide Revenues of Adrian Public Service District (the "issuer") in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Water Revenue Bonds, Series 2004A (United States Department of Agriculture) (the "Series 2004A Bonds") and the Prior Bonds and sufficient to make the payments required by the Bond Resolution and the Prior Resolutions into all funds and accounts and all the necessary expenses of operating and maintaining the System during each Fiscal Year.

It is my further opinion that the Net Revenues for the fiscal year following the year in which the Bonds are issued will be at least 115% of the average annual debt service requirements on the Prior Bonds the Series 2004A Bonds.

Capitalized terms not defined herein have the meanings set forth in the Bond Resolution adopted by the Issuer on February 13, 2004.

Very truly yours,



Randy L. Harris, CPA

THURSDAY, OCTOBER 11th, 1979

Upon the application of David Fisher for appointment as Notary Public in and for the County of Upshur, it was shown to the satisfaction of this Commission that said applicant is a resident of the County from which he seeks appointment, that he is competent to perform the duties of such office and that he is a person of good moral character. It is therefore ordered that the said application of David Fisher be certified to the Secretary of State for appointment as Notary Public, as aforesaid.

Upon the application of Linda S. Canfield for appointment as Notary Public in and for the County of Upshur, it was shown to the satisfaction of this Commission that said applicant is a resident of the County from which she seeks appointment, that she is competent to perform the duties of such office and that she is a person of good moral character. It is therefore ordered that the said application of Linda S. Canfield be certified to the Secretary of State for appointment as Notary Public, as aforesaid.

This day residents of the Hampton Community appeared before the Commission to discuss the use of the Hampton School as a community building.

This day Denver Tenney, D. V. Connor and John Cain appeared before the Commission to discuss the boundary lines for formation of the Adrian Public Service District.

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STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Ronald J. Pugh, Clerk of the County Commission of Upshur County, West Virginia, do hereby
certify that the foregoing writing is a true copy from the records in my office, the same appearing in
Law Order Book No. 121 at page No. 85 '.

Given under my hand and the seal of said Commission this 26 day of February, 1988 ,

RONA B J . PUGH
Clerk, Co my Commission

BY:  , DEPUTY



STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Ronald J. Pugh, Clerk of the County Commission of Upshur County, West Virginia, do hereby
certify that the foregoing writing is a true copy from **the** records in my office, the same **appearing** in

_____ ^{Law} Book No. _____² at page No. 57

Given under my hand and the seal of said Commission this 6 day of e r u a r y , 19 8 8

RONALD J. PUGH

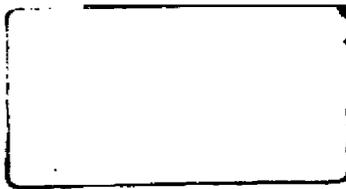
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BY:

Rose McClister

Deputy

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State of West Virginia, County of Upshur, ss:

HuAter, xioT Advertising Manager

Record Delta, a newspaper published at Suckhaonoa iu the said counry, do hereby certify that the annexed

Notice .Ear. Pxposed .Water _Ear. Adrian, ... ivJ riilf~, ,and , French .Creek Public .Wearing

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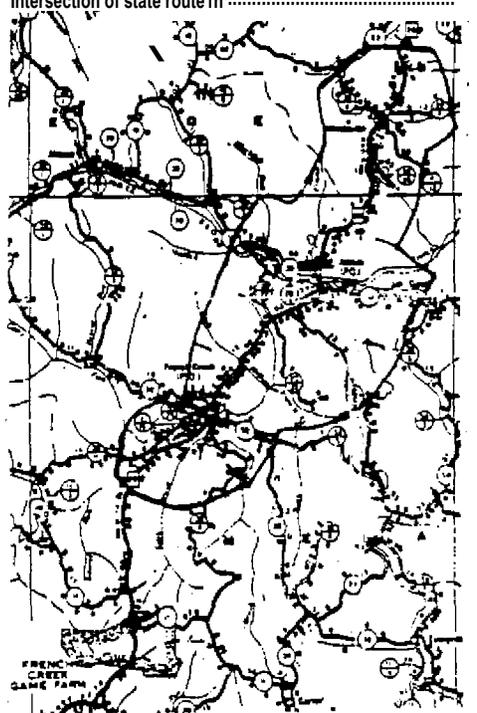
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My Commission expires 5! (...GZ~L.L.C~7

PROPOSED WATER POW and county route i1. Frtm! AORIAN, MINKLYVILLE. spats rouse gg east t mil*. AND FRENCH CREEK PULIC HEARIN. sta = 20p*wain! am

The Upshur County on county rnt. 20.1. From Cammiselon calls head a state mute 20 go west an ! meeting on Thurfdey sight aunity rattle A 1 m1M. From November lto, at 7:30 p.m state route 21i tae oast county In the Adrian Volunteer Fin route 20 go east an county Department In order te he sr. rotate 20 go east an county what citizens who live beside route 22.3 of male. From ma indicated area and Im- state route 20 go east on mediate!), surrounding areas county. rout. 31 s at mile. have to say wncenting the From state twist 20 saes: a utt, WUR, V r, twir .4.90.0 d r prblie service district. This mile. All at ei.ratty route r-1S. district would provide water From state route 20 go west fo' housshelds who would m 20 11 .3 m.ls. The district request such service and ls to include .5 mil* in each could be ecdomelealy side at these routes and the served. Any and at earn* former corporate limit's of mods and tastings are Adrian welcome.

Published by order of the County Commission of Upshur County. CAOeUe H. Roessinnqg Jr. President



This day the County Comsisaian held a public hearing for tre Adrian Public Service District, oncecng ene extension and adjustment of the boundary lines far the district. Mt follolainq persons, in addition to the Commissiners. were in attendance: Linda Riddle, Eva aragg, Howard Hacnawey. Kenny Perry. Joanne Parry. F. Clive Hinkle, Virgil K. Cceenleaf and Norman T. Farley. There o.ing no opposition co 4ns proposal. Commissioner Roearinq moved and Commissioner Cerullo seconded that tn. boundary Lin* change Os adapted. notion passed 3 to O.

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STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Ronald J. Pugh, Clerk of the County Commission of Upshur County, West Virginia, do hereby
certify that the foregoing wilting is a true copy from the records in my office, the same appearing in
Law **Book No.** 5 **at page** No. "4 4

Given under my hand and the seal of said Commission this 2⁶ day of Feb, 19 88

RONALD J. **PUGH**
Clerk, County Commission

BY: Deputy



PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: Dec 22, 1987.

CASE NO. 87-113-W-CN

ADRIAN PUBLIC SERVICE DISTRICT,
a **public utility, Buckhannon,**
Upshur County.

Application for a certificate of convenience
and necessity to construct a water distribution
system in southern Upshur County and for **approval**
of **rates and charges.**

CASE NO. 87-345-W-P

ADRIAN PUBLIC SERVICE DISTRICT,
a **public utility, Buckhannon,**
Upshur County.

Petition for **enlargement of boundaries of**
Adrian Public Service District by Upshur
County Commission.

ADMINISTRATIVE LAW JUDGE'S DECISION

PROCEDURE

On April 17, 1987, **Adrian Public Service District, a public utility,**
Buckhannon, Upshur County, filed an **application** for a certificate of
convenience and **necessity** to construct a water distribution system,
consisting of **approximately 24.2 miles of water line, two water storage**
tanks, two **booster stations, road crossings, service connection, and other**
appurtenances for the operation of a water distribution system along
Routes 4 and 20, **including** the communities of **Hinkleville, Adrian, French**
Creek, **Hampton, Rock Cave** and Lick Run, Upshur County, and for approval of
rates and **charges. The application was designated Case No. 87-113-W-CN.**

By order **entered by** the Commission on June 4, 1987, the **Applicant** was
required to give notice of the filing of said **application** by publishing a
copy of the order once in a newspaper, duly qualified by the Secretary of

State, published and of general circulation in Upshur County. The order granted leave to anyone interested to file written objection to said application within thirty (30) days after the date of publication of notice. The order further provided that if no protests were received within said 30-day period *the Commission may waive formal hearing and grant the application based upon evidence submitted and its review thereof.*

On June 22, 1987, the Applicant filed an affidavit of publication indicating that notice was published as required in the Record Delta, a newspaper published at Buckhannon, Upshur County, on June 10, 1987.

On March 27, 1987, Adrian Public Service District, a public utility, filed an application pursuant to the provisions of West Virginia Code S16-13A-2 for the Commission's approval of the *enlargement of* the District's boundaries in order to facilitate the construction of the water distribution system under review in Case No. 87-113-W-CN. This application was designated by the Commission *as Case No. 87-345-W-P.*

By order entered by the Commission on July 17, 1987, Case No. 87-113-W-CN and Case No. *87-345-W-P* were consolidated and the matters were set for hearing to be held in the Meeting Hall, Buckhannon Fire Station, Buckhannon, West Virginia, on Thursday, August 13, 1987, at 10:30 a.m., EDST. The order required Adrian Public Service District to give notice of the filing of said applications and of the time and place of hearing thereon by publishing a copy of the order in a newspaper, duly qualified by the Secretary of State, published and of general circulation-in Upshur County, at least two times between the date thereof and August 13, 1987.

On August 5, 1987, the Applicant filed an affidavit of publication indicating that notice was published as required in the Record Delta, newspaper published at Buckhannon, Upshur County, on July 22 and 29, 1987

The hearing was held as scheduled on August 13, 1987, at 10:30 a.m. *The Applicant* appeared by its proper officials and by Norman T. Farley Esq., counsel. **Charles D. Perfater, Esq.,** appeared on behalf of Oral and Pauline Boudman, Intervenors. Commission Staff was represented by Robert Williams, Esq., counsel, David Glover, Esq., counsel and Danny Ellis of the Commission's Public Service District Division. At the conclusion of the **hearing Case No. 87-345-W-P** was submitted for a decision and Case No. 87-113-W-CN was held **open for** Staff to file its **final** recommendations. of October 8, 1987, Charles D. Perfater, Esq., filed a brief on behalf of the Intervenors. On December 22, 1987, Staff filed its Final Recommendation: herein.

DISCUSSION OF THE EVIDENCE
INCLUDING FINDINGS OF FACT

Adrian Public Service District proposes to construct a water distribution system in that portion of Upshur County which lies south of Buckhannon and encompasses *the* entire area along West Virginia Secondary Routes 4 and 20 from a point near the new Buckhannon-Upshur **High School** to a point south of the community of Rock Cave along Secondary Route 4. The area includes the communities of Hampton, Hinkleville, Adrian, French Creek and Rock Cave. There is no public water system **in this** area. The system will initially serve 468 bona fide users, all of whom have signed user agreements and have paid a \$100 tap fee. The District anticipates that by the end of construction it will have signed an additional 25

customers to the project. (Tr., pp. 31, 32-34; Applicant's Exhibit No, 7).

The District will purchase all the water it distributes from the City of Buckhannon pursuant to a water purchase contract **executed** on May 14, 1987. (Tr., pp. 41-42). The contract **provides for a purchased water rate of \$1.07 per 1,000 gallons.** The rate is subject to modification on an annual basis as provided by the contract. (Tr., p. 43; Applicant's Exhibit No. 4).

The design, plans and **specifications** for **the proposed** water distribution system **were prepared** by **Honor** Brothers Engineers, **Clarksburg, West Virginia.** (Tr., p. 137). The **plans** and **specifications** have been **approved by** the **West Virginia** State **Department of Health** and a **Certificate of Approval, Permit No. 9820, was issued on March 19, 1987.**

The water system as proposed may be **generally described as** consisting of **approximately** 24.2 miles of 8-inch, 6-inch, 4-inch and 2-inch water distribution and service lines, **a 200 GPM booster station, a 100 GPM booster station,** and two 150,000 **gallon storage** tanks. The system will **have** a potential of **583 initial customers** with an ultimate **design** of 1,150 customers. (Tr., p. 34; Applicant's Exhibit No. 7).

The **proposed project** is **estimated** to cost \$2,015,000. The project will **be financed by a grant** from the Farmers Home Administration (FmHA) of \$1,230,000 **and** an FmHA loan of \$785,000. The loan is for 40 **years** at 7%. The annual **principal and interest payments** will be **\$59,160.** (Tr., pp. 34-37, 91-92; Applicant's Exhibit No. 7 and Staff's *Memorandum* dated August 31, 1987).

Interim financing will either be provided through a \$785,000 line of credit for one **year** at 7% from the Central National **Bank** of Buckhannon or

through the issuance of bond anticipation notes of \$773,650 for a 4-month term. This **proposal** was submitted by Scott and Stringfellow, Inc. (Tr. pp. 36-391 **Applicant's** Exhibit Nos. 2 and 3 and Staff Memorandum dated August 31, 1987).

Operation and maintenance expenses for the first **year** of operation are projected to be \$53,756. Of this amount, \$23,009 (431) is for purchased water. The user rates, as **proposed and as recommended** by Staff should **produce** \$119,753 in **annual operating revenues** and will provide **cash surplus of \$921 after paying operating and maintenance expenses of \$53,756 and debt service of \$65,076.** The cash flow analysis for the first **year of operation is** attached hereto as Appendix A. (Staff Memoranda dated August 31, 1987).

The proposed rates, which are attached hereto as Appendix B, provide for a minimum charge of \$17.50 per month for the first 3,000 gallons use, per month. The average bill for residential customers is \$25.90 per month, based on 4,500 gallon usage per month.

On March 19, 1987, the County Commission of Upshur County adopted an order enlarging the boundaries of Adrian Public Service District to facilitate the construction of the proposed water distribution system (Tr., pp. 25-26 and Applicant's Exhibit No. 1). The order was adopted after the publication of notice and public hearing as required by West Virginia Code 516-13A-2. By Joint Staff Memorandum dated July 9, 1987 Staff Counsel advised that the Upshur County Commission had fully complied with the requirements of said Code provisions.

The District as originally created by the County Commission in 197 was comprised of an area located approximately six miles south of Buckhannon and included the communities of Hinkleville, Adrian and French

Creek. The, District as enlarged primarily takes in all of south central Upshur, County, including the Glady Fork/Lick Run area, over to the Lewis County line to the west and south to Rock Cave. There are no incorporates towns in the area. (Tr., pp. 25-30 and Applicant's Exhibit No. 1).

The enlargement of the territorial boundaries of the Public Service District was made necessary by the District's inability to secure a sufficient number of signed user agreements to qualify for the financing of the water distribution system by the Farmers Home Administration. FmHA conditioned its commitment upon the District obtaining at least 468 bona fide full-time users and signed users agreements. Approximately 80% of the potential customers signing agreements reside within the expanded boundaries of the District. (Tr., pp. 31-34, 48, 53 and Applicant's Exhibit No. 6).

The issue raised by the Intervenors was the exclusion of their residences from service by the water distribution system to be constructed by the District.

The Intervenors, Oral and Pauline Boudman, own property and reside at Route 3, Box 222, Buckhannon, Upshur County, which is at the juncture of Glady Fork Road and Cutwright Run Road. (Tr., pp. 182-183 and Applicant's Exhibit No. 5 "Point A"). The public roadway runs through the Boudman's property. The District's currently proposed routing of its water main brings it to within 2/10ths of a mile of the Boudman's home on one side and 4/10ths of a mile on the other side. The District's water main, as proposed, will stop 500 feet short of the Boudman's property line. (Tr., pp. 183, 184, 189).

The Boudman's only water supply is a spring that runs into a cistern. During periods of dry weather, the Boudmans have an inadequate water

supply and have to haul water for domestic purposes. (Tr., pp, 184-185
If the, Boudmans are unable to get water from the District, they will ha
to drill a well at an estimated cost ranging up to \$10,000. (Tr., 1
189).

The Intervenors presented three additional witnesses who are rest
dents of the Glady Fork area to demonstrate and emphasize that the Glac
Fork area and its *residents* likewise experience insufficient water supply

Joseph Shifman resides at Route 3, Box 290-1, Buckhannon, which is i.
the Glady Fork area. Mr. Shifman's family of six is down to 75 gallons c
water per day flowing into their cistern. Mr. Shifman has to haul wate
for his livestock. (Tr., pp. 194-195).

Junior Hamner lives at Route 6, Buckhannon, and owns a farm on Glad
Fork. The well on the farm is dry and Mr. Hamner doubts that he can fin
water if he drilled another well. Mr. Hamner would build a house'on th
farm if water was **available. (Tr., pp. 196-198).**

Dina Gillam lives at Route 3, Box 290-A, which is in the vicinity o
Glady Forks Estate. Ms. Gillam has four persons in **her household, whit**
is on its third well. The third well was drilled last summer. Currently,
the family has sufficient water to *meet their needs as long* as they do no
use the water for non-essential purposes. (Tr., pp. 198-201).

George Winspear resides at Route 3, Box 295-A, Buckhannon, which i
in the Glady Fork area. Mr. Winspear appeared at the hearing to protes
the fact that he and his neighbors were excluded from **the proposed wate**
project. Mr. Winspear knows of 29 families within the community that nee
water service. There is a water shortage in this area and the peopl{
often have multiple wells. (Tr., pp. 9-17).

The Glady Fork area and the area in which the *Boudmans* reside were deleted from the first phase of the construction project due to the low population density, the high cost per customer for the installation of lateral extensions and the lack *of funds* to cover the cost. (Tr., pp, 49-51, 102, 124-127, 140-141).

The average cost per customer for *the* project as proposed is \$3,500. (Tr., p. 156). **It is estimated it will cost an additional \$53,238 or \$3,613 per customer to serve the 12 customers in Glady Fork Estates.** This would require an additional \$23,000 in grant funds. *To serve the "Glady Fork Loop"* would require the installation of 18,000 feet of line at an estimated cost of \$178,000 or a per customer cost ranging between \$4,700 to \$5,934. (Tr., pp. 159, 167-170, 173-174).

The additional cost to **serve** the Boudmans from the point of the proposed line termination is estimated at \$14,000 (3/10ths mile at \$9.00 per foot). (Tr., pp. 49-51).

Delmes M. Goldizen, Loan Specialist with FmHA, testified that these areas were eliminated from the initial project due to cost feasibility. He stated that **it is not possible at** this time to amend the District's loan and grant applications to include these eliminated areas. He stated **it would** cause delays to the point that the District could lose its grant and loan. (Tr., pp. 102, 110-114).

Virgil Greenleaf, the District's **Chairman**, testified that the District wanted to get the initial **project** in the ground so that in the future lateral lines could be installed as Phase 1, 2 and 3. (Tr., pp. 61-63). **Mr. Greenleaf added that** the contingency funds for the initial **project** totals \$118,000 and that these **funds could be used to serve** customers in the Glady Fork area if construction bids come in as

anticipated and monies are available upon the completion of construction (Tr., pp. 74-75). Mr. Goldizen stated that while he doubts that FmHA will accept a "pre-application" for further extension of the Adrian PSD system until the original system is in the ground, there is no limit on the size of an extension that FmHA will fund, even as small as one serving 2 customers. (Tr., pp. 103, 104 and 111).

Paul Hornor, Jr., P.E., testified that he tried to design the system to serve outlying areas and to receive additional funds to build a large system. However, the funds were denied. In the interim, there was also an increase in costs, so the system was scaled back to include only the more densely populated areas. However, one chief consideration was that enough "design" be built into the system such that it can be extended at a future date. (Tr., pp. 140, 141). The system to immediately be constructed will serve up to 583 existing homes with a 23% growth built into the present system. Also there is capacity to extend this system into other areas to serve an additional 438 homes. (Tr., pp. 141-145). Mr. Hornor further stated that the Gladys Fork Loop and the four potential customers from Boudman Loop were excluded solely on the basis of cost effectiveness. (Tr., pp. 176-177).

FINDINGS OF FACT

1. The Applicant, Adrian Public Service District, filed an application, Case No. 87-113-W-CN, on April 17, 1987, for a certificate of convenience and necessity to construct a water distribution system consisting of approximately 24.2 miles of water line, two water storage tanks, two booster stations, road crossings, service connections, and other appurtenances for the operation of a water distribution system along

Route 4 and 20, including the communities of Hinkleville, Adrian, Franc' Creek, Hampton, *Rock Cave and Lick* Run, Upshur County, and for approval c; rates and charges. (See application).

2. There is no public water service available in the area o: application and the private water supplies are inadequate. (Tr., pp 30-31 and Applicant's Exhibit No. 7).

3. The District will purchase all the water it distributes from th+ City of Buckhannon at a rate of \$1.07 per 1,000 gallons pursuant to contract executed on May 14, 1987. (Tr., pp. 41-42 and Applicant': Exhibit No. 4).

4. The water distribution system will consist, generally, of 24.: miles of 8-inch, 6-inch, 4-inch and 2-inch water **distribution** and service lines, two booster stations and two 150,000 gallon storage tanks. The system has design capacity to serve 1,150. (Tr., p. 34 and Applicant': **Exhibit No. 7).**

5. The total cost of the project is estimated at \$2,015,000 and will be financed by a grant from the Farmers Home Administration (FmHA) of \$1,230,000 and a 40-year loan from the FmHA of \$758,000 at 7% annua: interest. (Tr., pp. 34-37, 91-92 and Applicant's Exhibit No. 7, Staffl Memorandum dated August 31, 1987).

6. Interim financing will be provided by either a \$785,000 line ai credit for one year at 71 from the Central National Bank of Buckhannon o~ through the issuance of Bond Anticipation Notes. (Tr., pp. 36-39; Appli• cant's Exhibit Nos. 2 and 3 and Staff Memorandum dated August 31, 1987).

7. The Farmers Home Administration grant and loan commitment is conditioned upon the **District** obtaining signed **user agreements** from at

least 468 **bona fide** full-time users, which the District has secured. (Tr., p. 34 and **Applicant's** Exhibit No. 6).

8. The County Commission of Upshur County **adopted** an order on March 19, 1987, **enlarging** the boundaries of Adrian Public Service District to **facilitate** the **proposed project** and filed **an application** with the Commission on March 27, 1987, for approval thereof, pursuant to the provisions of West Virginia Code 516-13A-2. (Tr., pp. 25-26 and Applicant's Exhibit No. 1).

9. **Approximately 80% of the** customers **signing users** agreements **reside** within the **expanded boundaries** of the District. (Tr., pp. 48 and 53).

10. **Operation and Maintenance expenses** for the first **year** of operation as **determined by** Staff is \$53,756. On a cash flow **basis**, the rates and **charges hereinafter** authorized and **approved** will **provide a** cash surplus of \$921 and debt **coverage** of 1121. (**See Appendix A** and B).

11. The Intervenors **have** an **inadequate** water **supply** and they seek water service from the District. (Tr., pp. 9-17 and 183-201).

12. The **Intervenors** and the Glady Fork **area were deleted** from the first phase of construction **project** due to the low **population** density, high cost per customer for **installation** and the lack of funds. (Tr., pp. 49-51, 102, 124-127, 140-141).

13. The **additional** cost to serve the Intervenors is estimated at \$14,000 as **compared** to \$3,500, the **average** cost per customer for the project. The **additional** cost to **serve** the 12 customers in Glady Fork **Estates** is \$53,238 or \$3,613 per customer. The **additional cost to serve the Glady Fork Loop is estimated at \$178,000** for a per customer cost ranging between \$4,700 **to \$5,934.** (Tr., pp. 49-41, 159, 167-174).

14, The contingency funds for the project total \$118,000 and may be available to provide service for these customers, if construction bids come in as anticipated and monies are made available upon completion of construction. (Tr., pp. 74-75, 103-111).

15. Staff recommended that the contract executed by Adrian Public Service District and Hornor Brothers Engineers on September 12, 1986, for Engineering services applicable to the proposed water *distribution* project be approved. (Staff Memorandum dated August 31, 1987).

CONCLUSIONS OF LAW

1. A certificate of convenience and necessity should be issued unto *Adrian Public* Service District, a public utility, to construct a water distribution system consisting of approximately 24.2 miles of water line, two water storage tanks, two booster stations, road crossings, service connections and other appurtenances along Route 4 and 20, including the communities of Hinkleville, Adrian, French Creek, Hampton, Rock Cave and Lick Run, Upshur County, as more particularly described in its application filed *herein* on April 17, 1987.

2. The enlargement of the boundaries of Adrian Public Service District, as more particularly described by an order adopted by the County Commission of Upshur County on March 19, 1987, should be authorized and approved.

3. The proposed interim and permanent financing for the construction of the water distribution project, as above-described, should be authorized and approved, subject to the conditions *hereinafter* contained.

4. The proposed rates and charges, as recommended by Staff and contained in **Appendix B**, attached hereto, should be authorized and approved.

5. The water purchase contract executed by Adrian Public Service District and the City of Buckhannon on May 14, 1987, should be authorized and **approved**.

6. The contract for professional **engineering** services executed by **Adrian Public Service** District and Hornor **Brothers Engineers** on September 12, 1986, should **be authorized** and **approved**.

ORDER

IT IS, **THEREFORE**, ORDERED that:

1. A certificate of convenience and **necessity be**, and it **hereby** is, issued unto Adrian Public **Service** District to construct, operate and maintain a water distribution **system** as more **particularly** described in the **application** filed **herein** on April 17, 1987, along Routes 4 and 20, including the communities of **Hinkleville**, Adrian, French Creek, Hampton, Rock Cave and Lick Run, **Upshur** County, **provided, however**, that the total project cost shall not **exceed** the **projected** costs and that the proposed *interim* and **permanent** financing, as herein **described**, are **obtained**.

2. The **proposed permanent** financing, not to **exceed** \$785,000, in the *form of a 40-year loan at an* annual interest **rate** of 7%, from the Farmers Home **Administration** and the **proposed** interim financing, **as** above-described, **be**, and it **hereby** is, **approved**.

3. Adrian Public Service District shall obtain the Commission's **approval** for any change in its proposed financing.

J 4. The **enlargement** of the **boundaries** of **Adrian** Public Service District;, **as more particularly** described in an order **entered by** *the Upshui* County Commission on March 19, 1987, **be**, and it **hereby** is, approved, pursuant to the provisions of West Virginia Code ;16-13A-2.

5. The rates and charges and **other tariff provisions** contained in **Appendix B, attached hereto, are hereby authorized and approved to** be effective for all water **service to be rendered** by the **Applicant** when said system is **complete and available for service.**

6. The **Applicant** shall file a tariff with the Commission within twenty {20} **days** after the date that this order **becomes** final, setting forth the rates and **charges, rules and regulations and other** tariff provisions herein **authorized and approved, and as more particularly appear in Appendix B, attached hereto.**

7. The water purchase contract **executed by Adrian Public Service District** and the City of Buckhannon on May 14, 1987, **be**, and it hereby is, **approved.**

8. The contract for **professional engineering services** executed by Adrian Public **Service** District and Hornor Brothers Engineers on September 12, 1986, **be**, and it **hereby** is, **approved.**

The **Executive Secretary** is **hereby ordered** to **serve a** copy of this order upon the **Commission by hand delivery,** and upon all **parties** of record by **United States Certified Mail, return receipt requested.**

Leave is **hereby granted** to the parties to file written exceptions **supported** by a brief with the Executive **Secretary** of the Commission within fifteen {15} days of the date this order is mailed. If **exceptions** are filed, the parties filing exceptions shall certify to the Executive **Secretary** that all **parties** of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days ^following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered *stayed* or postponed by *the Commission*.

Any party may request waiver of the right *to file* exceptions to an Administrative Law Judge's Order by 'filing an appropriate *petition in* writing with the Secretary. No such waiver will *be effective* until approved by order of the Commission, nor shall *any such waiver operate to* make any *Administrative Law Judge's* Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

Maynard D. McDonnell
Administrative Law Judge

MMcD:mal

APPENDIX A

ADRIAN PUBLIC SERVICE DISTRICT
CASE NO. 87-113-W-CN

CASH FLOW ANALYSIS
FOR FIRST YEAR OF OPERATIONS

Cash Available		
Operating Revenues		\$ 119,753
Cash Requirements		
Operations and Maintenance Expenses		<u>53 756</u>
Cash Available for Debt Service (A)		\$ 65,997
Debt Service Requirments		
Principal and Interest (B)	\$59,160	
Debt Reserve	<u>5 916</u>	<u>65,076</u>
'Surplus		921
Coverage (A T B)		112Z

ADRIAN PUBLIC SERVICE DISTRICT
CASE NO. 87-113-W-CN
RATES

APPLICABILITY

Applicable within territory served.

AVAILABILITY

Available for general domestic, commercial and industrial service.

RATES

First	3,000 gallons	used per month	\$5.8333	per 1,000 gallons
Next	3,000 gallons	used per month	5.60	per 1,000 gallons
Next	4,000 gallons	used per month	5.40	per 1,000 gallons
Next	10,000 gallons	used per month	5.20.	per 1,000 gallons
Over	20,000 gallons	used per month	5.00	per 1,000 gallons

MINIMUM CHARGES

No bill shall be rendered for less than the following amounts according to the size of the meter installed:

	5/8 . inch meter	\$	17.50	per month
	3/4 inch meter		26.25	per month
1	inch meter		43.75	per month
1-I/2	inch meter		87.50	per month
2	inch meter		140.00	per month
3	inch meter		262.50	per month
4	inch meter		437.50	per month
6	inch meter		875.00	per month
8	inch meter		1,400.00	per month

DELAYED PAYMENT PENALTY

The above tariff is net. On all accounts not paid in full within twenty (20) days of the date of bill, ten percent (10%) will be added to the net amount shown. This delayed payment *penalty is* not interest and is only to be collected once for each bill where it is appropriate.

ADRIAN PUBLIC SERVICE DISTRICT
CASE NO. 87-113-W-CN

DISCONNECTION OF SERVICE FOR NON-PAYMENT OF BILL

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid,

CONNECTION CHARGE

Prior to completion of construction adjacent to customer's property
\$100.00

After completion of construction adjacent to customer's property
\$250.00

RECONNECTION CHARGE

\$20.00

THURSDAY. APRIL 11, 1996

The County commission of Upshur County, West Virginia, held their regular meeting at the **Courthouse Annex thereof** on Thursday, **April II, 1996**. The meeting was called to order at 9:00 a.m. by Rick E. Rice, President. There were present Rick E. Rice, **President**; Joyce L. **Harris-Thacker, Commissioner**; George H. Roessing, Jr., **Commissioner**; and William A. Parker, **County Coordinator**. All motions **passed** unanimously unless otherwise **stated**.

The Commission approved the minutes of March 28, 1996 with corrections.

Joyce Rohr and Bobbi Davis, Upshur County **Homemakers Extension Club**, appeared before the Commission as a follow-up to last week's meeting. On motion by **George H. Roessing, Jr.**, seconded by Joyce L. **Harris-Thacker**, the Commission approved the use of the basement hallway areas and the Assessors' old office as an exhibit area during the week of the Strawberry Festival. Joyce Rohr and Bobbi Davis stated the **Homemakers Club** would restrict access to the stair area of the Courthouse.

On motion by Joyce L. **Harris-Thacker**, seconded by George H. Roessing, Jr., the Commission approved the employment of Thomas Dunning, Upshur County Youth Camp **Manager, per request** from Upshur County Youth Camp Board. **Effective date of employment will be April 15, 1996 at an annual salary of fourteen thousand one hundred dollars (\$14100.00) per year.** (Copy included)

On motion by Joyce L. **Harris-Thacker**, seconded by George H. Roessing, Jr., the Commission approved the "Memorandum of Understanding" concerning the South Central Regional Jail, Agreement was **required** by Regional Jail Authority for audit purposes. Upshur County **will not utilize this facility** except on extremely rare occasions. Kanawha County Sheriff's Department picked up an individual for the **Upshur County Sheriff's Department** and individual was held for **one (1) day** on March 5, 1996 at the facility. (Copy included)

The Commission **reviewed** a list of **various maintenance** concerns from the **Buckhannon-Upshur Parks and Recreation Board**. **Gary E. Bailey** will be requested to follow-up. (Copy included)

Adrian PSD **representatives**, Donald Killingsworth, Darrell Loudin, and Betty Miller, and Norman **Farley, Legal Counsel**, appeared before the Commission concerning an **enlargement to the boundary of the Adrian PSD**. Boundary adjustments are located in **the Gaines area and Sago area**. Mr. Farley stated that **approximately ten percent** of the new project was outside **the established boundary lines of the Adrian PSD** and the Rural Community **Economic Development Agency** was requiring this adjustment, **even though current state law allows a PSD to service** clients ten (10) miles from a boundary line. The Commission **questioned** as to why **areas** outside the current boundary limits were **projected for service** and areas within the current **service area were eliminated** from the project. The Commission **also questioned representatives** on **compliance** with the **Small Cities Block**

Grant requirement that actual construction must be started by July 1996. Norman **Farley** and **Adrian PSD members** will follow-up on this item. The Commission **stressed the need** for compliance to **avoid** the possibility of **losing the Small City Block Grant** funding. After discussion, and on motion by **George H. Roessing Jr.**, seconded by **Rick E. Rice**, the Commission **approved** and adopted a resolution and order to **enlarge** the boundary of the Adrian PSD. (Copy included)

STATE OF WEST VIRGINIA,
Upshur County, ss:

Debbie Thacker Wilfong, Clerk of the County Commission of Upshur County, West Virginia,
do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing
in Law Order Book No. 21 at page No. 22.

Given under my hand and the seal of said Commission this ^{22ⁿ} day of April, 1926

DEBBIE THACKER WILFONG
Clerk, County Commission

By „a 4_ a~a. -Deputy

THE COUNTY COMMISSION OF UPSHUR COUNTY, WEST VIRGINIA

RESOLUTION AND ORDER PROPOSING THE ENLARGEMENT
OF ADRIAN PUBLIC SERVICE DISTRICT

WHEREAS, pursuant to Chapter 16, Article 13A, Section 2 of the West Virginia Code of 1931, as amended (the "Act"), the County Commission of Upshur County, West Virginia (the "County Commission") has heretofore on November 15, 1979, duly created Adrian Public Service District (the "District");

WHEREAS, pursuant to the Act, the County Commission subsequently enlarged the boundaries of the District by Resolution and Order entered on March 19, 1987;

WHEREAS, the Act provides that a county commission may, on its own motion, by order duly adopted, propose the enlargement of a **public** service district;

WHEREAS, the County Commission deems it necessary and proper to enlarge the existing boundaries of the District to *provide* water service to the residents thereof;

WHEREAS, the County Commission deems it essential and desirable to adopt this Resolution and Order proposing the enlargement of the District and set forth other matters relating thereto as required by the Act.

NOW, THEREFORE, BE IT, AND IT IS HEREBY, RESOLVED AND ORDERED BY THE COUNTY COMMISSION OF UPSHUR COUNTY AS FOLLOWS:

1. The County Commission, on its own motion, subject to the written consent and approval of the Public Service Commission of West Virginia, proposes the enlargement of Adrian Public Service District.

2. The territory to be embraced by the proposed enlargement of the District shall be as follows:

PARCEL NO. 1.: BEGINNING at a point in the Buckhannon River (said point lies approximately 500' northeast of Upshur County Route 22); thence with the meanders of the Buckhannon River in a southeasterly direction 19,166 feet to a point; thence S. 56° 50' W. 6,230 feet to a point on the present PSD boundary; thence with said boundary three calls, N. 29° 45' W. 8,976 feet to a point in French Creek; thence with the meanders of said creek in a northerly direction 8,650 feet to a point; thence N. 43° 30' E. 1,275 feet to the point of beginning and containing 2.35 square miles.

PARCEL NO. 2.:- BEGINNING at the southwestern corner of the present boundary of the Adrian PSD; thence with said boundary S. 86° E. 10,243 feet to a point; thence leaving said boundary S. 40° E. 14,578 feet to a point; thence N. 85° W. 10,078 feet to a point; thence N. 40° W. 14,360 feet to the point of beginning and containing 4.17 square miles,

as more particularly shown, set forth, and delineated upon a plat entitled in part, "PLAT SHOWING BOUNDARY OF ANNEXATION NO. 2 FOR THE ADRIAN PUBLIC SERVICE DISTRICT", dated February 1996, prepared by Horror Bros. Engineers.

3. The proposed enlargement of the District does not include within its boundaries the territory of any other public service district created under the laws of the State of West Virginia, and there is no city, incorporated town, or other municipal corporation included within such boundaries.

4. The purpose of the proposed enlargement shall be to acquire, construct, maintain, operate, improve, and extend water services and facilities within the above described territory, which will be conducive to the preservation of the public health, comfort, and convenience of such area.

5. The County Commission shall hold a hearing on the proposed enlargement of the District at the Upshur County Courthouse, in Buckhannon, West Virginia, on the 2nd day of May, 1996, at 9:30 a.m., which date is not more than forty (40) days nor less than twenty (20) days from the date hereof. At such hearing, all persons residing in or owning or having any interest in property in the territory to be embraced within the boundaries of the proposed enlargement shall have an opportunity to be heard for and against **the proposed** enlargement and the County Commission shall consider and determine the feasibility of the proposed enlargement and shall adopt **such resolutions** and orders as it shall deem proper in the premises.

6. The Clerk of the County Commission shall cause notice of such hearing and the time and place thereof, including the description of the territory of the proposed enlargement, to be given by publication as a Class I legal advertisement in The Record-Delta, a newspaper published and of general circulation in Upshur County, West Virginia, at least ten (10) days prior to **such** hearing.

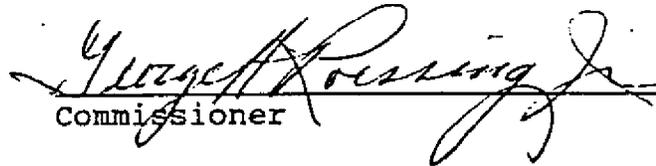
7. The Clerk of the County Commission shall also post in at least five (5) conspicuous places within the proposed enlarged boundaries of the District, a notice containing the same information as is contained in the published notice, and the notices shall be posted not less than ten (10) days before the hearing.

8. This Resolution and Order shall be effective immediately following adoption hereof.

ADOPTED and ENTERED this 11th day of April, 1996.

S.~

President and Commissioner

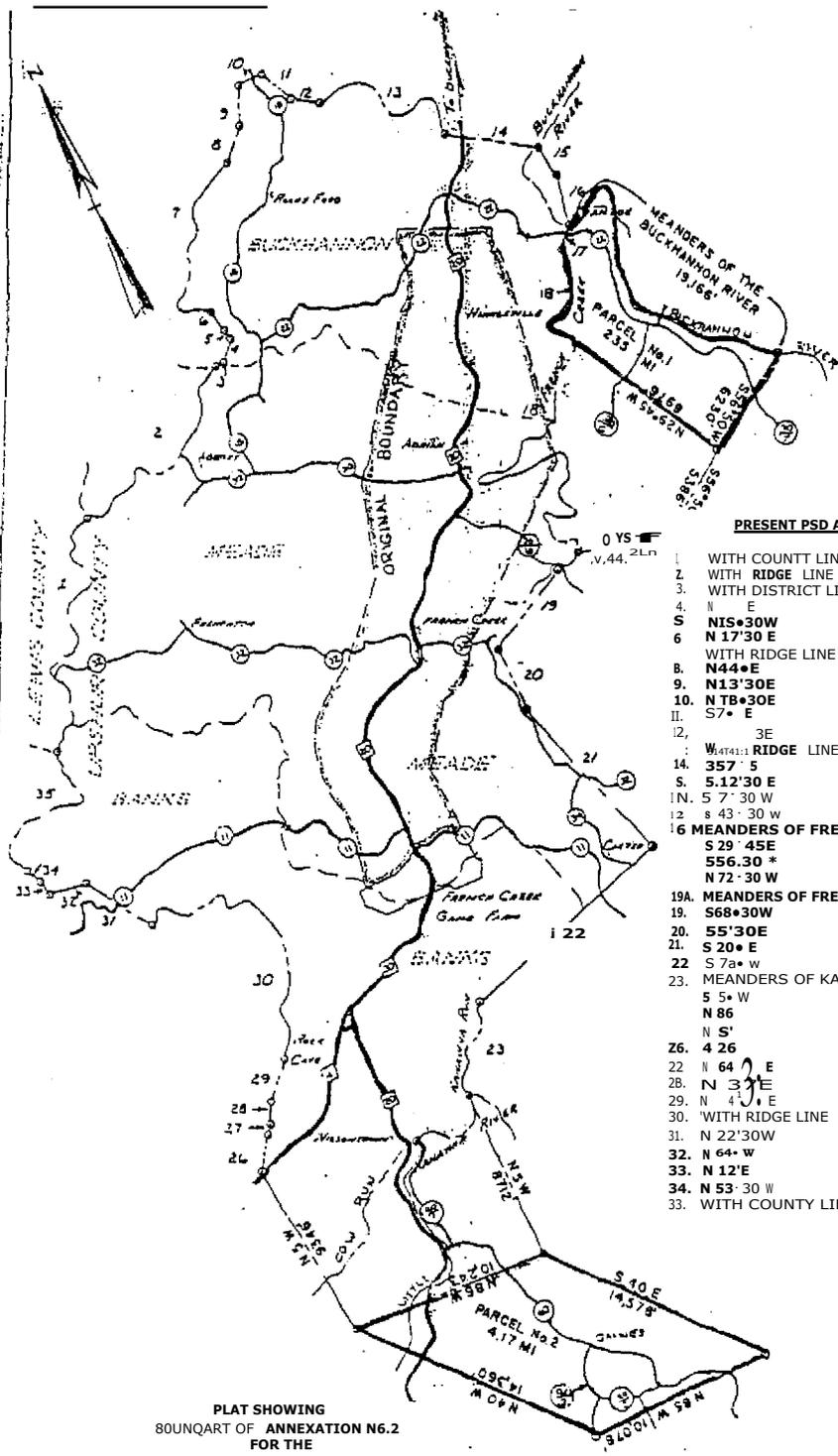

Commissioner

Joyce L. Harris-Thacker was present at
Commissioner the meeting. Abstained
from the vote due to
conflict.

Attest:



Clerk of the Upshur
County Commission



PRESENT PSD AOUNOAY

1	WITH COUNT LINE	16,250'
2	WITH RIDGE LINE	13,300'
3	WITH DISTRICT LINE	450'
4	N E	400'
5	N15°30'W	400'
6	N 17°30' E	130d
7	WITH RIDGE LINE	10,500'
8	N44°E	1600'
9	N13°30'E	2100'
10	N 78°30'E	24130'
11	S7° E	180d
12	3E	1730'
13	WITH RIDGE LINE	950d
14	357' S	3100'
15	S. 5.12°30' E	170d
16	S 7°30' W	302d
17	S 43°30' W	4.75'
18	MEANDERS OF FRENCH CK.	9550'
19	S 29°45'E	9976'
20	S56.30°*	5386'
21	N 72°30' W	45.4d
22	MEANDERS OF FRENCH GK.	1700'
23	S68°30'W	5925'
24	S5°30'E	3700'
25	S 20° E	10,30d
26	S 7a° w	12,400'
27	MEANDERS OF KANAWHA RUN	7300'
28	5 5° W	9T1Z
29	N 86	10,243'
30	N S'	934fi
31	4 26	1300'
32	N 64° E	500'
33	N 3° E	700'
34	N 4° E	300'
35	WITH RIDGE LINE	16,150'
36	N 22°30'W	2630'
37	N 64° W	300'
38	N 12°E	70d
39	N 53°30' W	2300'
40	WITH COUNTY LINE	3200'

PLAT SHOWING
 80UNQART OF ANNEXATION N6.2
 FOR THE
 ADRIAN PUBLIC SERVICE DISTRICT
 LOCATED IN
 BUCKNAN ION, MEADE, AND BANKS MAGISTERIAL DISTRICTS
 UPSHUR COUNTY, WEST VIRGINIA
 SCALE 1" = 1 MILE, FEBRUARY, 1996
 NORNOR BROS ENGRS.



STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Debbie Thacker Wilfong, Clerk of the County Commission of Upshur County, West Virginia,
do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing
in Law Order, Book No. 21 at page No. 99

Given under my hand and the seal of said Commission this 22ndday of April 1996

DEBBIE THACKER WILFONG _____
Clerk, County Commission
By dt,acL ~ ' }~~ Deputy

State of West Virginia, County of Upshur, ss:

Mark Davis Advertising Manager

Record Delta, a newspaper-- published at Buckhannon in the said county, do herein certify that the annexed..... NOT CE..... NOTICE OF HEARING ADRIAN PUBLIC SERVICE DISTRICT.

was published once a week for .. one week .. successive weeks in said Record Delta newspaper published as aforesaid, commencing on the . 17th, day of April 1996 .. days of 19 .. 96

Given under my hand L. 19th day of April, day of 1996
 ...Advertising Manager

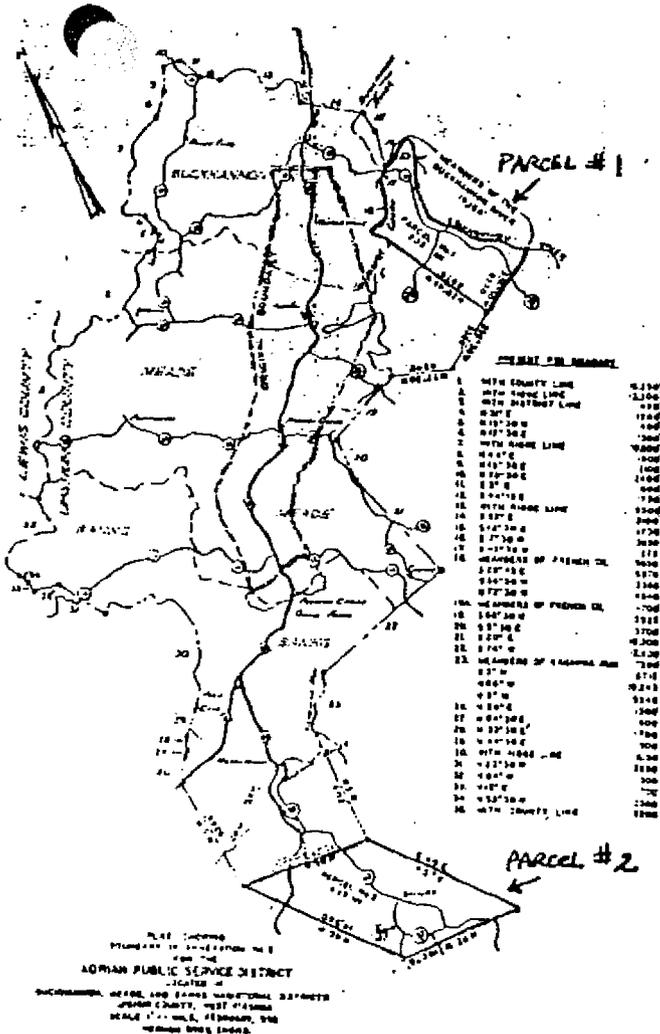
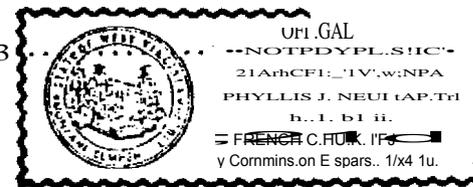
Printers fee \$ 103.57

WEST VIRGINIA, UPSHUR COUNTY, Ts-WIT:

Subscribed and sworn to before me this f y d C day of 19 96

Phyllis J. Neul, Notary Public.

My Commission expires March 21, 2003



NOTICE OF PUBLIC HEARING ON THE ENLARGEMENT OF ADRIAN PUBLIC SERVICE DISTRICT

Be it hereby given that the County Commission of Upshur County, West Virginia, on its own motion, by order duly made and passed on the 11th day of February, 1996, proposed to enlarge the Adrian Public Service District for the purpose of providing water service to the area thereof.

The boundaries of the proposed enlargement of the Adrian Public Service District are as follows:

EL No. 1: Beginning at a point in the Buckhannon River (said point is approximately 500 feet northeast of the intersection of the Buckhannon River and the South Fork of the Buckhannon River); thence with the meanders of the South Fork of the Buckhannon River in a southeasterly direction 19.166 Met b m p p k t; thence S. 56° 50' W. 11,210 feet to a point on the present PSD boundary; thence with said boundary three cells, N. 29 degrees 45' to a point in French Creek; thence with the meanders of said creek in a northerly direction 0.650 feet b m p a i r, thence S. 30° E. 1.275 feet to the point of beginning and containing 2.35 acres.

EL No. 2: Beginning at the southwestern corner of the present boundary of the Adrian PSD; thence with said boundary S. 10,243 feet to a point; thence leaving said boundary S. 40 degrees E. 14,571 feet to a point; thence N. 85 degrees 10' 10" E. 10,243 feet to a point; thence N. 40 degrees W. 14,369 feet to the point of beginning and containing 4.17 square miles, or, as more fully shown, set forth and delineated upon a plat filed in part, 'PLAT SHOWING BOUNDARY OF THE ADRIAN PUBLIC SERVICE DISTRICT' dated February 1996, prepared by Horror Bros. Engineers.

Persons residing in or owning or having any interest in property in said proposed enlarged territory of the District are hereby notified that the County Commission of Upshur County will conduct a public hearing on the 21st day of May, 1996, at 9:30 a.m. in the Courtroom of the County of Upshur, West Virginia, at which hearing all interested persons may appear and be heard in person or by their attorneys. The opportunity to be heard in person or by their attorneys will be held on the 21st day of May, 1996, at 9:30 a.m. in the Courtroom of the County of Upshur, West Virginia.

Witness my hand and the seal of the County of Upshur, West Virginia, this 11th day of February, 1996.

Commissioner of Upshur County

State of West Virginia, County of Randolph, ss.

I, James Hoffman, Publisher of THE INTER-MOUNTAIN, a newspaper published at Elkins, in said county, do hereby certify that the annexed advertisement was published on the following dates:

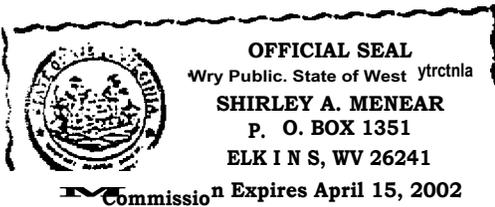
April 17 -----

19 96 as required by law.

Given under my hand this 17 day of *April* 1996

----- w t -----
 Publisher

Printer's Fee: 9.11 -----



Subscribed and sworn to before me this 17 day of *April*, 1996

Shirley A. Menear
 Notary Public

My Commission Expires the 26 day of *April*, 2002

Notice is hereby given that The County Commission of Upshur County, West Virginia, on its own motion, by and with the consent of the Board of Commissioners, adopted on April 11, 1996, proposed the enlargement of Adrian Public Service District for the purpose of providing water services to the residents thereof. The territory to be added by the proposed enlargement of the District shall be as follows:

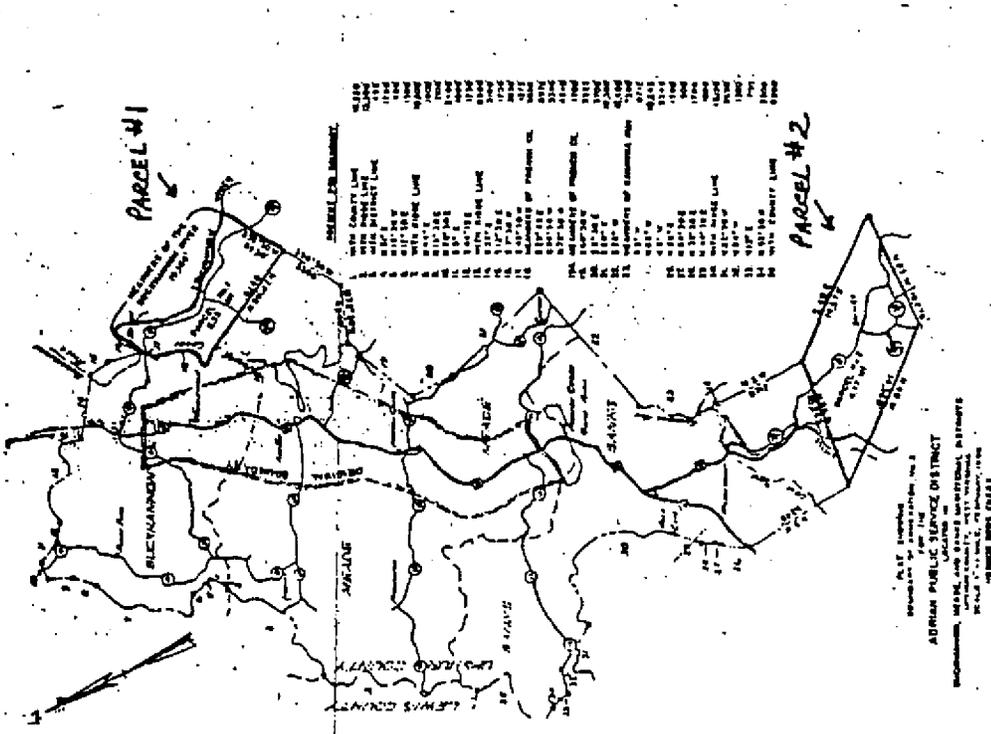
PARCEL NO. 1: BEGINNING at a point in the Buckhannon River (said point lies approximately 100' northeast of Upshur County Route 22); thence with the meanders of the Buckhannon River in a southeasterly direction 19,168 feet to a point; thence S. 58 degree 50' W. 6,230 feet to a point on the present PSD boundary; thence with said boundary three calls, N. 29 degree 45' W. 8,976 feet to a point in French Creek; thence with the meanders of said creek in a northerly direction 8,650 feet to a point; thence N. 43 degree 30' E. 1,275 feet to the point of beginning and containing 2.35 square miles.

PARCEL NO. 2: BEGINNING at the southwestern corner of the present boundary of the Adrian PSD; thence with said boundary S. 85 degree E. 10,243 feet to a point; thence leaving said boundary S. 40 degree E. 14,578 feet to a point; thence N. 85 degree W. 10,078 feet to a point; thence N. 40 degree W. 14,360 feet to the point of beginning and containing 4.17 square miles.

more particularly shown, set forth, and delineated upon a plat entitled in part, "PLAT SHOWING BOUNDARY OF ANNEXATION NO. 2 FOR THE ADRIAN PUBLIC SERVICE DISTRICT," dated February 1996, prepared by Honor Bros. Engineers.

All persons residing in or owning or having any interest in property in said proposed enlarged territory of the District are hereby notified that The County Commission of Upshur County will conduct a public hearing on the 2nd day of May, 1996, at 9:30 a.m. in the Upshur County Courthouse at Buckhannon, West Virginia, at which hearing all interested persons may appear before the County Commission and shall have an opportunity to be heard for and against the proposed enlargement of the District.

Debbie Theaker Willough, Clerk
 County Commission of Upshur County



ADRIAN PUBLIC SERVICE DISTRICT
 BUCKHANNON, WEST VIRGINIA
 PLAT SHOWING BOUNDARY OF ANNEXATION NO. 2 FOR THE ADRIAN PUBLIC SERVICE DISTRICT
 FEBRUARY 1996

THE COUNTY COMMISSION OF UPSHUR COUNTY, WEST VIRGINIA

RESOLUTION AND ORDER ENLARGING
ADRIAN PUBLIC SERVICE DISTRICT

WHEREAS, The County Commission of Upshur County (the "County Commission") did heretofore, by a Resolution and *Order* adopted *April 11, 1996, fix a date for a hearing on* the enlargement of Adrian Public Service District (the "District") for providing water services to the residents thereof, and in and by *said Resolution* and Order provide that all persons residing in or owning or having any interest in property in the territory to be embraced within the proposed enlarged boundaries of the District *may* appear before the County Commission at said hearing and have an opportunity to be heard for *and* against the proposed enlargement of the District;

WHEREAS, the Clerk of the County Commission has caused notice of this hearing to be given in the manner provided and required by said Resolution- and Order and in accordance with Chapter 16, Article 13A, Section 2 of the West Virginia Code of 1931, as amended (the "Act"), by publication as a Class I legal advertisement and by posting in at least five (5) conspicuous *places within* the proposed enlarged boundaries of the District not less than ten (10) days before the hearing;

WHEREAS, a hearing was held on the proposed enlargement of the District at the Upshur County Courthouse on the 2nd day of May, 1996, at 9:30 a.m.;

WHEREAS, at such hearing, all persons residing in or owning or having any interest in property in the territory to be embraced within the *proposed* enlarged boundaries of the District were afforded an opportunity to be heard for and against the proposed enlargement;

WHEREAS, the County Commission determines that the enlargement of the District is necessary, feasible, and proper, and that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement, and extension of public service properties within such territory by the District will be conducive to the preservation of public health, comfort, and convenience of the residents of such enlarged territory;

WHEREAS, the County Commission. deems it desirable and appropriate to adopt this Resolution and Order enlarging the District and set forth other matters relating thereto as required by the Act.

NOW, THEREFORE, BE IT, AND IT IS HEREBY, RESOLVED AND ORDERED, BY THE COUNTY COMMISSION OF UPSHUR COUNTY AS FOLLOWS:

1. The County Commission, on its own motion, subject to the written consent and approval of the Public Service Commission of West Virginia, orders the enlargement of Adrian Public Service District.

2. The territory to be embraced by the proposed enlargement of the District shall be as follows:

PARCEL NO. 1: BEGINNING at a point in the Buckhannon River (said **point** lies approximately 500' northeast of Upshur County Route 22); thence with the meanders of the Buckhannon River in a southeasterly direction 19,166 feet to a point; thence S. 56° 50' W. 6,230 feet to a point on the present PSD boundary; thence with said boundary three calls, **N. 29° 45' W.** 8,976 feet to a point in French Creek; thence with the meanders of said creek in a northerly direction 8,650 feet to a point; thence N. 43° 30' E. 1,275 feet to the point of beginning and containing 2.35 square miles.

PARCEL NO. 2: BEGINNING at the southwestern corner of the present boundary of the Adrian PSD; thence with said boundary S. 86° E. 10,243 feet to a point; thence leaving said boundary S. 40° E. 14,578 feet to a point; thence N. 85° W. 10,078 feet to a point; thence N. 40° W. 14,360 feet to the point of beginning and containing 4.17 square miles,

as more particularly shown, set forth, and delineated upon a plat entitled in part, "PLAT SHOWING BOUNDARY OF ANNEXATION NO. 2 FOR THE ADRIAN PUBLIC SERVICE DISTRICT", dated February 1996, prepared by Hornor Bros. Engineers.

3. The proposed enlargement of the District does not include within its boundaries the territory of any other public service district created under the laws of the State of West Virginia, and there is no city, incorporated town, or other municipal corporation included within such boundaries.

4. The District shall be authorized to acquire, construct, maintain, operate, improve, and extend water services and facilities within the above described territory.

5. The County Commission determines that no other public service district or districts can adequately serve the expanded, and enlarged areas of the Adrian Public Service

STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Debbie Thacker Wilfong, Clerk of the County Commission of Upshur County, West Virginia,
do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing
in LawOrderBook No. 21 at page No. _____

Given under my hand and the seal of said Commission this 8th day of May, 1926

By DEBBIE TRACKER WILFONG
Clerk, County Commission Deputy
ff

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 13th day of August, 1996.

CASE NO. 96-0555-FWD-PC

UPSHUR COUNTY COMMISSION
Petition for consent and approval to enlarge the Adrian Public **Service District** to provide water services to the existing boundaries of the public service district.

COMMISSION ORDER

PROCEDURAL BACKGROUND

On May 17, 1996, the Upshur County Commission (Upshur) filed a petition pursuant to West Virginia Code S16-13A-2, seeking the Commission's consent and approval of Upshur's resolution enlarging the boundaries of the Adrian Public Service District (District) in order to provide water service in areas not presently within the District's boundaries. As part of its May 17, 1996 petition, Upshur submitted a copy of the April 11, 1996 resolution and order proposing the enlargement of the District, together with a metes and bounds description of the two parcels comprising the expansion, a map of the proposed expansion, and an affidavit regarding Upshur's posting of the notice of public hearing on the proposed enlargement. In addition, Upshur submitted copies of affidavits indicating that the required notice of hearing was made by Class I legal advertisement in The Inter-Mountain, a newspaper published in Elkins, and The Record Delta, a newspaper published in Buckhannon. Upshur held a public hearing on the proposed enlargement on May 2, 1996.

Upshur's petition to expand the District's boundaries is related to the District's application for a certificate of convenience and necessity to construct and operate Phase II of its water distribution system currently before the Commission in Case No. 95-1211-PWD-CN. Upshur requested that the Commission rule upon its petition on an expedited basis. A similar request was submitted to the Commission by the District's legal counsel.

By Order issued July 3, 1996, the Commission set this matter for hearing on July 24, 1996 and, pursuant to West Virginia Code S24-1-4, appointed a hearing examiner to take evidence in this proceeding. The Commission would thereafter issue a decision based upon the record. The Commission's Order further required

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Upshur to publish an attached notice of the July **24, 1996 hearing** once, in a newspaper duly qualified by the Secretary of State and published and of general circulation in Upshur County, not less than ten (10) days prior to the scheduled hearing date. Upshur was required to file a proper affidavit with the Commission thereafter.

A hearing on this matter was held on July **24, 1996**, as scheduled, before the Commission's hearing examiner. James Boggess appeared on behalf of Commission Staff *and* William Parker appeared on behalf of Upshur. In addition, statements were received into the record from the following individuals: Joyce Harris-Thacker; They Horner; Donald W. Martin, II; Norman Farley; Josephine Linger; and Mike Casto. Seven documents were received into evidence, without objection, including an affidavit of publication, certifying that Upshur provided notice of the July 24, 1996 hearing in compliance with the Commission's July 3, 1996 Order. Upshur Exhibit No. 1 (hereafter "**Ex.**").

The Transcript of Proceedings (Tr.) was filed with the Commission on July **31, 1996**. **This** matter was thereafter submitted to the Commission for decision.

DISCUSSION

EVIDENCE

The District was created in 1979 and first **expanded** in 1987, after financing for initial construction of the District's water system, generally referred to as Phase I, was obtained from the Farmers Home Administration. Tr. 30-31. Although Phase I, as designed, included a number of lateral lines extending from the main system, a number of these lateral lines were never constructed due to a shortage of funds. Tr. 32. Phase I was certificated by the Commission in Case No. 87-113-W-CN (Recommended Decision, March 4, 1988; Final Order, March 24, 1988). Horner Ex. 1. As part of the Recommended Decision in the certificate case, the Administrative Law Judge ordered that the District use any surplus or contingency funds remaining after construction of Phase I to extend water service to various residences and businesses in the Gladys Fork area of the District and to diligently **seek** funding to finance a **Phase II** project to serve other territories in the immediate area which have an imminent need for water service. Id. The District began providing water service in 1989. Tr. 32. Since **1989**, the District has sought funding for Phase II. Tr. 33.

In 1991, the District's engineer, They Horner, began designing Phase II to extend water service to some of those areas originally intended to be served as part of Phase I. Tr. 33. Although the District obtained substantial financing from the Rural Economic Community Development (RECD) office, the District

still **lacked** sufficient funding to provide **service** to all **areas** included *in* Phase II until 1995. Tr. 33-34. In **1995**, the District obtained \$750,000 in additional **funding in** the form of a Small Cities Block Grant (SCEG). Based on this additional funding, Mr. Horner redesigned Phase II to expand water service further. **Id.**

As designed, Phase II will **involve** construction of approximately 25 miles of 6-, 4- and 2-inch water line extensions to the District's distribution system. Horner Ex. 1. **Phase II** will provide service to approximately 276 houses in 10 areas, most of which were originally intended to be served as part of Phase I. Id. Commission Staff notes that all areas required to be served in the District's original Phase I certificate case, Case No. 87-113-W-CN, as well as the area addressed *in* Case No. 91-665-PWD-C, Darla Edaell v. Adrian PSD, will be served by Phase II. Horner Ex. 1.

Bids for Phase II were opened on June 14, 1996, and the low bidder, Ferri Contracting Co., was awarded the construction contract. Id. Ferri Contracting Co.'s bid of **\$1,999,037.90** was **\$324,492** less than the District engineer's estimated cost of construction. Id.; Tr. 21-22, 40-41. **Consequently, there** should be additional funds remaining after construction of Phase II. Staff recommends Commission approval of Phase II in **Case** No. 95-1211-PWD-CN. Horner Ex. 1.

However, after Phase II was re-designed, the District discovered that two (2) small areas to be served were located outside the District's current boundaries -- the Sago **area** near the northeast corner of the District, and the **Gaines area** near the District's southern boundary. Tr. 35-37. The **Sago area** comprises 2.35 **square** miles; the **Gaines area** comprises 4.17 square miles. District Ex. 2. The RECD will **not release any** funds to complete **Phase II** until the District **receives** the Commission's approval to enlarge its boundaries to **serve** these areas. Tr. 22, **39-40.**

Commission Staff, Upshur and the District's engineer and legal counsel support the District's petition to enlarge its boundaries. Tr. 9, 11, **28-29, 40-41;** Staff Ex. 1. In addition, two (2) individuals from the Sago area expressed support for enlargement of the District's boundaries. Tr. 48.

Two (2) individuals oppose the District's boundary expansion petition and their statements **were received** into the record. Both statements related to the District's failure to provide water service to an **area** within the District's current boundaries

'Ferri Contracting Co. has placed a 90-day hold on its bid. This hold period expires September 11, 1996. Tr. 23.

known as Bush Run. According to the protestants, residents of Bush Run have requested the District to provide them with water service on at least two (2) occasions. Tr. 13, 19; Martin Ex. 1. The District's engineer performed an analysis of the cost to provide service to the Bush Run residents in 1991 and concluded that the cost to provide service was too high. Tr. 19. Consequently, Phase II did not include Bush Run when it was originally designed in 1991. Id,

The residents of Bush Run lodged a second request for water service with the District in 1995, after the District received additional funding from SCBG to allow construction of Phase II. Martin Ex. 1. A second cost analysis was performed and the District's engineer again concluded that the cost of service to Bush Run was prohibitive. Tr. 20.²

In response to these protests, the District pointed out that there are no water lines in the Bush Run **area** currently but there will be lines **constructed** as part of Phase II which will intersect Bush Run at two ends. Tr. 37. Moreover, although Phase II will not provide water service to residents of Bush Run, the surplus funds which should remain after construction of Phase II might be utilized to provide water **service** to Bush Run or to two (2) other areas -- Abbot Road and **Kanawha** Run -- which likewise are within the District's current **boundaries** but do not receive water **service**. Tr. 24, 41-43. There is **generally** a need for adequate drinking water in southern Upshur County, where the District is located. Tr. 34-35.

LEGAL ANALYSIS

Under West Virginia Code S16-13A-2, the Commission may approve, reject or modify the order of a county commission creating, expanding, merging or consolidating a public service district, if the Commission finds it is in the best interests of the public to do so.

²The District would require approximately 2.35 miles of 4-inch water line to be installed, at a cost of roughly \$162,000, to provide water service to **the** eight (8) residences on Bush Run. Tr. 37-38. The cost of providing water service to these residents is approximately \$20,000 per customer. In contrast, the per customer cost of providing water service associated with Phase II is approximately **\$6,069.** Tr. 38.

Commission Staff recommends, as a condition of issuing a certificate of convenience and necessity in Case No. 95-12 11-PWD-CN, that the District be ordered to assess the cost of service to Bush Run, Abbot Road and Kanawha Run, in light of any surplus remaining after completion of Phase II. Horner Ex. 1.

The Commission is faced with a clear choice *in this case*. If the Commission **approves** Upshur's order **expanding** the boundaries of the District, construction of **Phase II** may proceed. Phase II will provide water service to many, but not all, residents within the District's current **boundaries** who historically **have** been without water **service**. Phase II will also bring water service to a number of persons **previously** outside the District's boundaries but who likewise need water service. In addition, Phase II will apparently generate surplus funds which might be used to provide water service to residents in areas within the District's boundaries who likewise **have** historically been without service.

The consequences of denying Upshur's petition are in stark contrast to the benefits of approving the petition. If the Commission rejects Upshur's order enlarging the District's boundaries, the District will receive no financing from the RECD and Phase II will not be constructed. Consequently, no water service will be provided to anyone -- either in the areas originally to be served in **Phase I** or in areas outside the District's boundaries which also need adequate water service.

Under the circumstances before it, the Commission concludes that it is **manifestly** in the public's interest to **approve** Upshur's order enlarging the District's **boundaries**.

FINDINGS OF FACT

1. On May 17, 1996, Upshur filed a petition, pursuant to West Virginia Code S16-13A-2, seeking the Commission's consent and approval of Upshur's resolution enlarging the boundaries of

'It is true that a **public** service district is obliged to serve the needs of the inhabitants within its geographic service territory and that, therefore, the Commission may require a public service district to provide service to all it professes, by its charter, to **serve**. See Case No. 93-0583-S-P, Thomas Hilt dba Franklin Manor Wastewater Treatment Plant and Sewage System (Order, April 15, 1994). However, **rule-of-reason** applies. The Commission will consider whether the provision of service would be in the public's interest, whether there is **an actual obligation** to serve the **particular area**, and lastly, **whether it would be reasonable to require the district to provide the service**. **Id.** The expense of providing such service is one factor to consider. In this case, the Commission believes that it would be unreasonable to require the District to forego Phase II to provide service to residents of Bush Run, even if this was an option. Moreover, the Commission notes that the District's enlargement to include a larger customer base may produce higher revenues which may ultimately make extension of service to Bush Run feasible.

the Adrian Public Service District (District) in order to provide water service in **areas** not presently within the District's boundaries.

2. The District was created in 1979 and its boundaries were first expanded in 1987, after financing for initial construction of the District's water system, generally referred to as Phase I, was obtained from the Farmers Home **Administration**.

3. Phase I was certificated by the Commission in **Case** No. 87-113-W-CN (Recommended Decision, March 4, **1988**; Final Order, March 24, 1988).

4. Although Phase I, as designed, included a number of lateral lines extending from the main system, a number of these lateral lines were not constructed due to a shortage of funds.

5. The District began providing water **service in 1989 and since 1989 has** sought funding to complete Phase II.

6. In 1991, the District began designing Phase II to extend water service to **some** of those areas originally intended to be served **as** part of Phase I.

7. Although the District obtained substantial financing from the RECD in 1991, the District still lacked sufficient funding to provide service to **all areas** included in Phase II.

8. In **1995**, the District obtained additional funding for Phase II and, based on this additional funding, re-designed Phase II to expand water **service** further.

9. Phase II will involve construction of approximately 25 miles of 6-, 4- and 2-inch water line extensions to the District's distribution system and will provide service to approximately 276 houses in 10 areas, most of which were originally intended to be part of Phase I.

10. After Phase II was re-designed, the District discovered that two (2) Small areas to be served were located outside the District's current boundaries -- the Sago area and the Gaines area.

11. The RECD will not release any funds to complete Phase II until the District receives the Commission's approval to enlarge the District's boundaries to include the Sago and Gaines areas.

12. The winning bid for Phase II is **\$324,492 less** than the District's estimated cost of construction of Phase II and, consequently, there should be additional funds remaining after Phase II's construction.

13. The District **previously** determined **that** the cost of providing **water service to** Bush Run currently is **prohibitive**.

14. Water service to Bush Run or to two (2) other areas which are within the District's current boundaries but do not receive water **service** may be feasible after construction of Phase II.

15. There is **generally a** need for **adequate** drinking water in southern Upshur County, where the District is located.

CONCLUSIONS OF LAW

1. Upshur made return of proof of publication of public notice of the July 24, 1996 hearing in compliance with the Commission's July 3, 1996 Order.

2. Under West Virginia Code S16-13A-2, the Commission may approve, reject or modify the order of a county commission creating, expanding, merging or consolidating a public service district, if the Commission finds it is in the best interests of the public to do so.

3. The Commission concludes that it is **manifestly** in the public's interest to **approve** Upshur's order enlarging the District's boundaries.

ORDER

IT IS, **THEREFORE, ORDERED** that **Upshur's petition** for Commission approval of Upshur's resolution and order enlarging the boundaries of the Adrian Public Service District should be, and hereby is, approved.

IT IS FURTHER ORDERED that the Commission's Acting Secretary shall serve a copy of this Order upon counsel for Upshur and all persons entering an appearance at the July 24, 1996 by United States First Class Mail, and upon Commission Staff by hand delivery.

A True Copy. Tee:e:



Pamela J. Hicks
Acting Secretary

THE COUNTY COMMISSION OF UPSHUR COUNTY, WEST VIRGINIA

**RESOLUTION AND ORDER PROPOSING THE ENLARGEMENT
OF ADRIAN PUBLIC SERVICE DISTRICT**

WHEREAS, pursuant to Chapter 16, Article 13A, Section 2 of the West Virginia Code of 1931, as amended (the "Act"), the County Commission of Upshur County, West Virginia, (the "County Commission") has heretofore on November 15, 1979, duly created Adrian Public Service District (the "District");

WHEREAS, pursuant to the Act, the County Commission subsequently enlarged the boundaries of the District by Resolution and Order entered on March 19, 1987, which Order was duly approved by the Public Service Commission of West Virginia;

WHEREAS, pursuant to the Act, the County Commission thereafter further enlarged the boundaries of the District by Resolution and Order entered on May 2, 1996, which Order was duly approved by the Public Service Commission of West Virginia;

WHEREAS, the Act provides that a county commission may, on its own motion, by order duly adopted, propose the enlargement of a public service district;

WHEREAS, the County Commission deems it necessary and proper to enlarge the existing boundaries of the District to provide water service to the residents thereof;

WHEREAS, the County Commission deems it essential and desirable to adopt this Resolution and Order proposing the enlargement of the District and set forth other matters relating thereto as required by the Act.

NOW, **THEREFORE, BE IT, AND IT IS HEREBY, RESOLVED AND ORDERED BY THE COUNTY COMMISSION OF UPSHUR COUNTY AS FOLLOWS:**

1. The County Commission, on its own motion, subject to the written consent and approval of the Public Service Commission of West Virginia, proposes the enlargement of Adrian Public Service District.

2. The territory to be embraced by the proposed enlargement of the boundaries of the District is more particularly described and set forth in the description entitled, "NARRATIVE DESCRIPTION ADRIAN PUBLIC SERVICE DISTRICT BOUNDARY ANNEXATION NO. 3", dated March 1999, prepared by Hornor Brothers Engineers, a copy of which is attached hereto as Exhibit A, and is more particularly shown, set forth, and delineated upon a plat entitled in part "MAP SHOWING REVISED BOUNDARIES FOR THE ADRIAN PUBLIC SERVICE DISTRICT", dated March 1999, prepared by Hornor Brothers Engineers.

3. The proposed enlargement of the District does not include within its boundaries the territory of any other public service district created under the laws of the State of West Virginia, and there is no city, incorporated town, or other municipal corporation included within such boundaries.

4. The purpose of the proposed enlargement shall be to acquire,

construct, maintain, operate, improve, and extend water services and facilities within the above described territory, which will be conducive to the preservation of the public health, comfort, and convenience of such area.

5. The County Commission shall hold a hearing on the proposed enlargement of the District at the Upshur County Courthouse, in Buckhannon, West Virginia, on the 9th day of September, 1999, at 10:00 am., which date is not more than forty (40) days nor less than twenty (20) days from the date hereof. At such hearing, all persons residing in or owning or having any interest in property in the territory to be embraced within the boundaries of the proposed enlargement shall have an opportunity to be heard for and against the proposed enlargement and the County Commission shall consider and determine the feasibility of the proposed enlargement and shall adopt such resolutions and orders as it shall deem proper in the premises.

6. The Clerk of the County Commission shall cause notice of such hearing and the time and place thereof, including the description of the territory of the proposed enlargement, to be given by publication as a Class 1 legal advertisement in The Record-Delta, a newspaper published and of general circulation in Upshur County, West Virginia, at least ten (10) days prior to such hearing.

7. The Clerk of the County Commission shall also post or cause to be posted in at least five (5) conspicuous places within the proposed enlarged boundaries of the District, a notice containing the same information as is contained in the published notice, and the notices shall be posted not less than ten (10) days before the hearing.

8. This Resolution and Order shall be effective immediately following adoption hereof.

ADOPTED and ENTERED *this 19th day of August, 1999.*

President and Commissioner

Commissioner

Commissioner

Attest:

Clerk of the Upshur County Commission

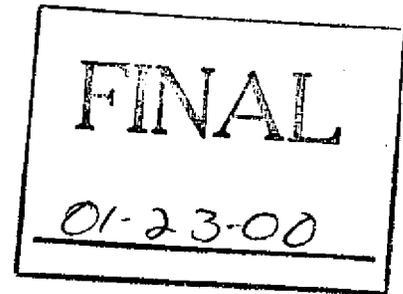
NARRATIVE DESCRIPTION
ADRIAN PUBLIC SERVICE DISTRICT
BOUNDARY ANNEXATION NO. 3

March, 1999

Beginning at a point in the Buckhannon River (said point lies approximately 2,480 feet northeast of Upshur County Route 30/7) and being a corner to Parcel No. 1 of annexation No. 2 for the Adrian Public Service District; thence with the meanders of the Buckhannon River in a southerly direction 84,584 feet to a point on the Upshur/Randolph county line; thence with said Upshur/Randolph county line in a southwesterly direction 21,400 feet to a point which is the intersection of Upshur, Randolph and Webster counties; thence with the Upshur/Webster county line in a northwesterly direction 49,700 feet to a point which is the intersection of Upshur, Webster and Lewis counties; thence with the Upshur/Lewis county line in a northerly direction 59,650 feet to a point on the existing Adrian Public Service District boundary line; thence with said boundary line for 23 calls: S.53°30'E., 2,500 feet to a point; thence S.12°W., 700 feet to a point; thence S.64°E., 1,300 feet to a point; thence S.22°30'E., 2,650 feet to a point on ridge; thence with the meanders of the ridge line, 18,150 feet to a point; thence leaving ridge line, S.44°30'W., 1,800 feet to a point; thence S.32°30'W., 1,700 feet to a point; thence S.64°30'W., 600 feet to a point; thence S.26°W., 1,500 feet to a point; thence S.5°E., 9,346 feet to a point; thence S.40°E., 14,360 feet to a point; thence S.58°E., 10,078 feet to a point; thence, N.40°W., 14,578 feet to a point; thence N.5°W., 8,712 feet to a point in Kanawha Run; thence with the meanders of Kanawha Run, 7,300 feet to a point; thence leaving Kanawha Run, N.74°E., 12,400 feet to a point; thence N.20°W., 10,300 feet to a point; thence N.5°30'W., 3,700 feet to a point; thence N.68°30'E., 5,925 feet to a point in French Creek; thence with the meanders of French Creek, 1,700 feet to a point; thence leaving French Creek S.72°30'E., 4,540 feet to a point; thence N.56°50'E., 5,386 feet to a point; thence N.56°50'E., 6,230 feet to the point of beginning and containing 91.2 square miles.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: January 3, 2000



CASE NO. 99-1348-PWD-PC

UPSHUR COUNTY COMMISSION

Petition for consent and approval to enlarge
Adrian Public Service District's boundaries.

RECOMMENDED DECISION

PROCEDURE

On September 14, 1999, the Upshur County Commission (County Commission) filed a petition with the Public Service Commission requesting approval of a County Commission Order expanding and enlarging the boundaries of the Adrian Public Service District (District).

By Order dated October 4, 1999, this matter was referred to the Division of Administrative Law Judge for a decision to be rendered on or before April 11, 2000.

On October 14, 1999, Staff Attorney Cassius H. Toon filed the Final Joint Staff Memorandum, to which was attached the Final Internal Memorandum prepared by Mr. Ray Jafari, P.E., Engineer II, Engineering Division, and Ms. Karen L. Buckley, Utilities Analyst, Water and Wastewater Division.

Since the petition was found in compliance with the Commission's rules and regulations and West Virginia Code §16-13A-2, Staff recommended approving the County Commission's request to enlarge the Adrian Public Service District boundaries.

By Order dated November 4, 1999, this matter was set for hearing to be held in the County Commission Meeting Room, Upshur County Courthouse Annex, Buckhannon, West Virginia, on December 9, 1999. Said Order also provided that the Upshur County Commission give notice of the December 9, 1999 hearing by publishing a Notice of Hearing once in a newspaper duly qualified by the Secretary of State, published and generally circulated in Upshur County.

The hearing was held as scheduled. Mr. William Parker, County Administrator, appeared on behalf of the County Commission. The District was represented by its counsel, Norman T. Farley, Esquire. Commission nrafl wan nor represened. No one appeared in protest to the applica-
on.

The affidavit of publication was presented to the Administrative Law Judge at the hearing which reflects that proper publication was made in accordance with the Commission's requirements.

Commission Staff submitted as Staff Exhibit No. 1, its Final Joint Staff Memorandum recommending approval of expansion of the boundaries of the Adrian Public Service District.

FINDINGS OF FACT

1. The Upshur County Commission filed a petition *with the Public Service Commission* requesting approval of a County Commission Order expanding and enlarging the boundaries of the Adrian Public Service District, pursuant to West Virginia Code §16-13A-2. (See, Petition filed September 14, 1999)-

2. Commission Staff recommended approval of the Upshur County Commission Order. (See, Staff Ex. No. 1, Final Joint Staff Memorandum filed October 14, 1999).

3. By Order dated November 4, 1999, this matter was set for a hearing to be held in the County Commission Meeting Room, Upshur County Courthouse Annex, Buckhannon, West Virginia, on December 9, 1999. Said Order also provided that the Upshur County Commission provide notice of the hearing to be held on December 9, 1999, by publishing a copy of a Notice of Hearing once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Upshur County. A proper affidavit of publication was received showing that publication had been made in accordance *with* the Commission's requirements. (See, Order dated November 4, 1999; Tr., p. 3).

4. At the hearing held on December 9, 1999, no one appeared in protest to the Upshur County Commission Order and Staff submitted as Staff Exhibit No. 1 its Final Joint Staff Memorandum filed on October 14, 1999. (See Staff *Ex. No. 1*).

CONCLUSION OF LAW

Since the Upshur County Commission gave proper notice *of the hearing* to be held on its petition filed September 14, 1999, *pursuant to* West Virginia Code §16--13A-2; since no one appeared in protest to the *petition;* and since Staff recommended approval, the Order can *be approved.*

ORDER

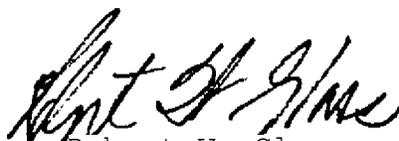
IT IS, THEREFORE, ORDERED that the August 19, 1999 *Order of* the Upshur County Commission expanding and enlarging the boundaries of the Adrian Public Service District, filed on September 14, 1999, pursuant to West Virginia Code §16-13A-2, be, and the same hereby is, approved.

The Executive Secretary in hereby ordered to serve a copy of this order upon *the* Commission by hand delivery, and upon a 11 pr.i i i i en el record by United SLaLeu CeiLiLled Mail, (LA LAI) fecelpt lcqueuLcd,

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Robert W. Class
Administrative Law Judge

RWG:dfs
991348AA.wpd

THURSDAY, SEPTEMBER 9, 1999

The County Commission of Upshur County, West Virginia, held their regular meeting at the Courthouse Annex on Thursday, September 9, 1999. The meeting was called to order by Rick E. Rice. There were present Rick E. Rice, President, Donnie R. Tenney, Commissioner; Fred M. Gaudet, Commissioner; William A. Parker, Administrator and Terri Jo Bennett, Administrative Assistant. The meeting began with a moment of Silent Meditation, followed by the Pledge of Allegiance. All motions passed unanimously unless otherwise stated.

On motion by Donnie R. Tenney, seconded by Fred M. Gaudet, the Commission approved the minutes of August 26, 1999, with the correction of the time the Commission adjourned.

On motion by Donnie R. Tenney, seconded by Fred M. Gaudet, the Commission reappointed Sharon Bowen to the Adrian PSD.

Chris Bays and Kim Davis, Lewis-Upshur Dog Pound, appeared before the Commission to discuss the following topics:

1. Possible closing of the Humane Society-September 30, 1999. Requested that the dog pound consider joint venture with the Humane Society.
2. Hours of operation. Discussed the need for evening hours.
3. Consider full-time employment for Chris Bays.

The Commission took no action. A follow-up meeting will be scheduled.

Rick E. Rice discussed the need for the Commission to consider a replacement for Dennis Klingensmith's position to the Region VII Planning and Development Board.

The Commission received a letter from the Upshur County Emergency Medical Services, Inc., requesting a written renewable lease for the Emergency Squad building. (copy included) On motion by Donnie R. Tenney, seconded by Fred M. Gaudet, the Commission authorized the President to sign the lease agreement. William A. Parker is to follow-up.

On motion by Fred M. Gaudet, seconded by Donnie R. Tenney, the Commission approved the minutes of September 2, 1999 as amended with noting that the bid for carpet included installation by Warnsley's Plumbing Service.

At 9:40 a.m. the Commission recessed.

At 10:00 a.m. the Commission reconvened and exited regular session and entered into a public hearing for consideration of a boundary enlargement for the Adrian PSD. (copy of those in attendance attached)

Norm Farley, attorney from West & Jones representing the Adrian PSD, explained to the Commission that the purpose of this hearing was to allow the public to express their views concerning the boundary change. Mr. Farley informed the Commission that after Phase 3 project was completed the Adrian PSD would serve approximately One Thousand One Hundred seventy-five (1,175) customers. Mr. Farley also stated that this should be the last boundary adjustment made unless the District decides to enlarge into other counties. Trey Horror, Horror Brothers Engineer, discussed the areas that the Phase 3 project would serve.

After hearing no opposition from the audience, on motion by Fred M. Gaudet, seconded by Donnie R. Tenney, the Commission approved and authorized the president to sign the resolution. (copy included)

At 10:50 a.m. the Commission adjourned the public hearing and returned to regular session.

On motion by Fred M. Gaudet, seconded Donnie R. Tenney, the Commission authorized the President to sign the annual financial affidavit/statement with additions/corrections to be made at the recommendation of Debbie Hull and William Parker. (copy of Financial Affidavit on record in County Clerks Office)

The Commission approved the following Final Settlements:

Clarence B. Haire, Estate - Final Settlement Waiver
 Stella Johanna Barth, Estate - Final Settlement Waiver
 Geneve Benson, Estate -Final Settlement Waiver
 John K. Lee, Sr, Estate - Final Settlement Waiver
 Freda Fultz Linger, Estate - Final Settlement Waiver
 Durwood J. Miller, Estate - Final Settlement Waiver
 Harrison W. Quick, Estate - Final Settlement Waiver
 Alfred Reed, Estate - Final Settlement Waiver
 Ralph G. Talbott, Estate - Final Settlement Waiver
 Robert F. Wheeler, Estate - Final Settlement Waiver
 Neva Ellen Wilt, Estate - Final Settlement Waiver
 Ada L. Brake, Estate - Final Settlement

UPSHUR COUNTY COMMISSION MEETING EON 02 9 f DE Q 14 E
THURSDAY, JANUARY 10, 2002

The County Commission of Upshur County, West Virginia, held their regular meeting at the Courthouse Annex on Thursday, January 10, 2002, at 9:00 a.m. The meeting was called to order by Kenneth T. Davidson. There were present Kenneth T. Davidson, Commissioner; Donnie R. Tenney, Commissioner; Stephen P. Abel, Commissioner; William A. Parker, Administrator and Terri Jo Bennett, Secretary. The meeting began with a moment of Silent Meditation, followed by the Pledge of Allegiance. All motions passed unanimously unless otherwise stated.

The Commission approved the minutes of December 20, 2001 with a correction and the minutes of January 3, 2002 as submitted via the General Consent Rule.

After discussion, on motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission authorized the President to sign the letter to Jerry Knight, Property Tax Division, regarding the Assessor's proposed valuation fund budget for fiscal year 2002-2003. (copy included)

On motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved the recommendation to re-appoint Don Killingsworth to the Adrian PSD. Terri Jo Bennett is to send a letter notifying the Adrian PSD.

After review by William A. Parker, on motion by Donnie R. Tenney, seconded by Stephen P. Abel, the Commission approved the budget revision #02 - General County. (copy included)

After review by William A. Parker, on motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved the recommendation to employ Carrie Mann as the Family Resource Network Coordinator. (copy included) Effective date of employment is January 2, 2002 at a salary of \$24,000.00

William A. Parker requested an executive session. On motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission entered executive session at 9:15 a.m. per WV Code 6-9A-4 to discuss the hiring of personnel for the Lewis-Upshur Dog Pound Facility. In attendance were Kenneth T. Davidson, Donnie R. Tenney, Stephen P. Abel and William A. Parker. No decisions were made in executive session and the Commission returned to open session at 9:55 a.m. After review by William A. Parker, on motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved the recommendation to hire Randy Squires as part-time dog pound attendant. Date of employment will be January 13, 2002 at a rate of \$5.15 per hour.

The Commission recessed at 10:00 a.m.

The Commission reconvened at 10:30 a.m.

The Commission met with Richard Forren, Omni Associates, Greg Fox, Terradon, and Candace Creely, Tripp Limbach & Associates regarding the Curry Library and Park Facility. Richard Forren provided a cost estimate handout for the Commission to review. (copy included) Greg Fox provided an update/status report on the location of the various activities/projects. (copies on file in Commission Office) The Commission discussed the contract with Omni Associates and reviewed potential projects to include in the feasibility study/master plan. Omni Associates are to return to a future meeting and provide an update/status report.

The Commission recessed at 12:30 p.m.

The Commission reconvened at 1:30 p.m. to attend the Policy Board meeting.

The Commission approved the following Purchase Orders:

Boise Cascade Office Products - #01001052
Active Parenting Publisher - #01001051
Lexie Miller - #01001050
Lanes Car Wash & Detailing - #01001049
Walmart Community BRC - #01001049
OC Cluss - #01001047
WV Tax Deputies Association - #01001046
Office Sales & Service - #01001045
Office Sales & Service - #01001044
Office Sales & Service - #01001043
Champion Industries - #01001042
Aladdin Food Management - #01001041
Postmaster - Buckhannon - #01001040
James & Law - #01001039
City of Buckhannon - #01001035

City of Buckhannon - 401001036
Micrologic Inc. - #01001037
Dayton Legal Blank - #01001038
Biter's Radio Service - #01001034

The Commission approved the following Final Settlements:

Betty I. Sargent - FS
Demo B. Black - FS
Wilma A. Culright - FS
Dainor Forinash - FS
Winifred L. Humphrey - FS
Naomi T. Montgomery - FS
Wilda Blanche Morrison - FS
Madeline N. McCarron - FS
Forrest L. McDaniels - FS
Lova M. Stout -FS
Gerald E. Wilfong - FS
Wilma R. Burns --FS
Basil William Burnside - FS

The Commission approved the public wiog Consolidation of Land Tract:

Glenn Davis- Meade District

The Commission approved/denied the "Request to Attend Meeting". (copies included)

The Commission approved the Invoices for Payment.

The Commission received the following Information:

1. Correspondence from the WV Association of Counties - "A County A Day at the Capitol" Schedule - Upshur County - March 5, 2002
2. Quarterly Financial Report - Upshur County Fire Board Inc.
3. Building Permits -December 2001
4. Dog Warden Report - December 2001
5. Correspondence from Region VII Planning & Development Council - SC13G Deadlines
6. Correspondence from Upshur County Development Authority- Notice of Meeting
7. Minutes: Adrian PSD
James W. Curry Library & Park
Tennerton PSD
8. Meetings:
01/10/02 - 1:30 p.m. - Upshur County Policy Board
0111 0102 - 3:30 p.m. - Tennerton PSD
01/10/02 - 6:30 p.m. - UCSS&S Enforcement Board
01114/02 - 6:00 p.m. - UC Solid Waste Authority
01/14/02 - 6:30 p.m. - Buckhannon-Upshur Parks and Rec. Board
01/14/02 - 7:00 p.m. - Upshur County Family Resource Network
0111 5102 - 10:00 a.m. - Wes-Mon-Ty RC&D
01/16/02 - 10:00 a.m. - James W. Curry Library & Park Board
0111 6/02 - 4:30 p.m. - Upshur County Library Board
01116102 - 7:00 p.m. - Lewis-Upshur LEPC
0111 7102 - 6:30 p.m. - Upshur County Fire Board
01/17/02 - 6:30 p.m. - Upshur County Youth Camp Board
01/21/01 - 7:00 p.m. - Upshur County Youth Council- SYC
01/24/02 - 4:00 p.m. - Upshur County Abstinence Coalition
01/28/02 - 7:00 p.m. - Region VII Planning & Development Council
01/31/02 - 7:00 p.m. - Joint Meeting - City/County

9- Appointments Needed:

Adrian Public Service District (Don Killingsworth 10/31101) --- County
Buckhannon-Upshur Airport Authority --- (Vacancy 6130199) --- City
Upshur County Building Commission --- (Kenny Kasten 11110101) --- County
Upshur County Civil Service Board --- (Don Godwin 12131101) --- County
Wes-Mon-Ty Resource Conservation District --- County Appoi lment

With no further business, the meeting adjourned at 4:00 p.m.

STATE OF WEST VIRGINIA,

Upshur County, ss:

I, Debbie Thacker Wilfong, Clerk of the County Commission of Upshur County, West Virginia.

Do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in LAW ORDER Book No. 29 at Page No. 41-42.

Given under my hand and the seal of said Commission this 22ND day of January, 2004.

By: Debbie Thacker Wilfong Deputy

DEBBIE THACKER WILFONG
Clerk, County Commission

Upshur County Commission Meeting
October 2, 2003

The County Commission of Upshur County, West Virginia, held their regular meeting at the Courthouse Annex on Thursday, October 2, 2003, at 9:00 a.m. The meeting was called to order by Kenneth T. Davidson. There were present Kenneth T. Davidson, Commissioner; Donnie R. Tenney, Commissioner; Stephen P. Abel, Commissioner, William A Parker, Administrator and Terri Jo Bennett, Secretary . The meeting began with a moment of Silent Meditation, followed by the Pledge of Allegiance. All motions passed unanimously unless otherwise stated.

The Commission approved minutes for the regular meeting held September 18, 2003 via the General Consent Rule.

Representatives from R D. Zande appeared before the Commission to present a resolution for the Multi-Jurisdictional Hazard Mitigation Plan. After review, on motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission authorized the President to sign the resolution in the adoption of the plan. (copy included)

William A. Parker provided information on the salary/wage increase for E-911 employees. (copy included) William A. Parker advised that the increase would be paid via the wireless 911 funds. On motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved the following increases:

- Part-time - \$6.00 per hour - once training is completed \$7.50 per hour
- Full-time - \$6.50 per hour - once training is completed \$8.00 per hour
- All current full-time employees received an additional \$1.50 per hour
- All current part-time employees received an addition \$.75 per hour

(Note: Pay increases are to take effect September 28, 2003 for exempt employees and September 21, 2003 for non-exempt employees)

On motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved the recommendation from the Adrian PSD to re-appoint James D. Loudin. (copy included)

After review by William A. Parker, on motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved and authorized the President to sign the contract extension request for the 2000 Small Cities Block Grant Project for renovations to the Stockert Youth Center. (copy included)

After review by Kenneth T. Davidson, on motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved the Assessor's Certification of Compliance and authorized payment in the amount of the salary supplement. (copy included)

Kenneth T. Davidson provided information on the Homeland Security Summit scheduled for November 9 and November 10, 2003 at Sheppardstown. Kenneth T. Davidson advised that he would plan to attend.

Walt Gilbertson, Engineer, appeared before the Commission to discuss the need to establish a base flood elevation for the Hodgesville area. After review, the Commission directed William A, Parker to follow-up and request a community review by FEMA,

The Commission recessed at 9:40 a.m.

The Commission reconvened at 9:45 a.m.

Charlotte Jackson, representative from the Women 's Aid in Crisis, appeared before the Commission and provided information on Domestic Violence in Upshur County. On motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved and authorized the President to sign the proclamation declaring October 2003 as National Domestic Violence Awareness Month in Upshur County. (copy included)

The Commission recessed at 9:50 a.m.

The Commission reconvened at 11:30 a.m.

On motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission approved and authorized the President to sign the Proclamation declaring October 20-October 24, 2003 as National Business Woman's Week in Upshur County. (copy included)

The Commission recessed at 11:35 a.m.

The Commission reconvened at 2:00 p.m.

On motion by Stephen P. Abel, seconded by Donnie R. Tenney, the Commission entered executive session per WV Code 6-9A-4. In attendance were Kenneth T. Davidson, Donnie R. Tenney, Stephen P. Abel, William A. Parker and Jim Knorr. No decisions were made in executive session and the Commission returned to open session at

**Upshur County Commission Meeting
October 2, 2003**

3:20 p.m. The Commission directed William A. Parker to follow-up with Alexander Ross and Dave McCauley on a draft transfer agreement for the Stockert Youth Center and follow-up at a future meeting.

The Commission approved the following Purchase Orders.

- Pro-Lube & Exhaust Inc - #04000110
- Pro-Lube & Exhaust Inc - #04000109
- Wal-Mart Community BRC - #04000108
- Benedum Locksmithing - #04000107
- Champion Industries Inc - #04000106
- James & Law - #04000105
- Dayton Legal Blank - #04000111

The Commission approved the following "Request to Attend Meeting" : (copy included)

After review by William A Parker, on motion by Stephen P. Abel, seconded by Donnie R Tenney, the Commission approved and authorized the signing of the letter to all volunteer fire department concerning dispatch procedures utilized by the E-911 Communication Center staff. (copies included)

The Commission approved the following Exonerations:

- Gary Scott & Vickie Williams - #1189
- Elizabeth & Edward Howell - #1192
- Bass Energy - #1191

The Commission approved the following Refund:

- Donald & Eva Rice - #1190

The Commission approved the following Final Settlement Waivers:

- Anise Gray - Final Settlement Waiver
- Valentine C. Hinkle, Jr. --- FSW
- Ronald R. Lampkin, Sr. - FSW
- Elnora Juanetta Mackey - FSW
- Bradford Mullens - FSW
- Jimmie Morgan McIntyre - FSW
- Jearl S. Turner - FSW
- Lester Lairl Moss - FSW
- Ray Reed - FSW
- Ronald Reed - FSW
- Ronald Vance Wood - FSW
- Mildred L. Wright - FSW
- Michael Ray Hissam, Inc - Final Settlement

The Commission approved all Invoices for Payment. (copy included)

The Commission approved the following Consolidation of Land Tracts:

- Carroll and Rosalie Tenney - Washington District - Sur 17.68 acres
- John Cruse - Buckhannon District - Lots 4 & 5 (3.02 ac) Lorentz
- Mazie and Ronald England - Meade District - Sur 46.41 acres

The Commission received the following Information:

1. Correspondence from the Department of Agriculture concerning the Assessor's Certification of Compliance
2. Building Permits - September 2003
3. Agendas - None
4. Minutes and/or Financial Report Information:

James W. Curry Advisory Board - August 20, 2003

Upshur County Public Library - August 27, 2003

5. Meetings:

- 10/06/03 - 7:00 p.m. - Hodgesville Public Service District
- 10/07/03 - 6:00 p.m. - Elkins Road Public Service District
- 10/08/03 -7:00 p.m. - Upshur County Litter Control Committee
- 10/09/03 -3:00 p.m. -Tennerton Public Service District
- 10/09/03 -6:30 pm, - UC Safe Structures & Sites Ordinance Board
- 10/10/03 -1:00 p.m, -Adrian Public Service District
- 10/14/03 -7:00 a m, -Buckhannon-Upshur Airport Authority

Upshur County Commission Meeting P' 333 PSGE!25
October 2, 2003

- 10/14/03 -5:30 p.m. -UC Enhanced Emergency Telephone Advisory Board
 - 10/15/03 -10:00 a.m. - James W. Curry Park & Library Advisory Board
 - 10/15/03 - 4:30 p.m. -Upshur County Public Library Board
 - 10/15/03 - 7:00 p.m. -Lewis-Upshur LEPC
 - 10/16/03 -6:30 p.m. -Upshur County Youth Camp Board
 - 10/16/03 -6:30 p.m. -Upshur County Fire Board
 - 10/20/03 - 12:00 p.m. - Upshur County Family Resource Network
 - 10/20/03 -6:00 p.m. - Upshur County Solid Waste Authority
 - 10/20/03 - 6:00 p.m. - Buckhannon-Upshur Parks & Recreation Board
 - 10/20/03 - 4:00 p.m. - Upshur County Youth Council - SYC
 - 10/20/03 - 6:00 p.m - Upshur County Fair Association - Rock Cave
 - 10/21/03 -10:00 a.m. - Wes-Mon-Ty RCD Board
 - 10/21/03 -6:00 p.m - WVSAMB Public Meeting --- Days Inn - Flatwoods
 - 10/23/03 - TBD -Assessors & Property Tax Personnel - TLF - Flatwoods
 - 10/27/03 - 7:00 p.m. - Region VII Planning & Development Council
 - 10/30/03 - 7:00 p.m. - Joint Meeting with the City of Buckhannon
6. Appointments Needed:
- Buckhannon-Upshur Board of Health --- (Betty Bailey 06130103) - County (2nd 1st Dist)
 - Buckhamton-Upshur Parks & Recreation Board --- (Donnie Swisher 06130103)- Bd of Ed
 - Buckhannon-Upshur Parks & Recreation Board --- (Mickey Tenney 06130/03)-- Bd of Ed
 - Region VII Planning & Development Council (Vacant Position thru 12131/03) --- County
 - + Upshur County Building Commission --- (Ron Hutton 11/10103) --- County Upshur County Development Authority --- (1 position 06130/03) -- - County
 - UC Fire Board - (Mike Higham - 1 " Term - 2nd Dist. Fire Assoc. 06130103) - County/ FA
 - Upshur County Public Library Board -- (Martha Feola 06/30/03) -- County / Bd. of Educ.
 - UC Safe Structures & Sites Ord. Board --- (Vacancy Jan. 2003 -- 06/30/04) Chief - VFD
 - ^a Wes-Mon-Ty Resource Conservation District --- County Appointment
- With no further business, the meeting adjourned at 3:30 p.m.

STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Debbie Thacker Wilfong, Clerk of the County Commission of Upshur County, West Virginia,
Do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing
in LAW BOOK Book No. 33 at Page No. 123-125
Given under my hand and the seal of said Commission this 7th day of January, 2004.

By: Debbie Thacker Wilfong

, Deputy

DEBBIE THACKER WILFONG
Clerk, County Commission

OATH OF OFFICE

DEBBIE THACKER LFGNG
ERKER
TRANSACTION NO: 2000013201

OATH OF OFFICE
Book: 00003 Page: 00036
Line: 00002

STATE OF WEST VIRGINIA, COUNTY OF UPSHUR, TO-WIT:



I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

ADRIAN PUBLIC SERVICE DISTRICT

to the best of my skill and judgment **SO HELP ME GOD:**

(Signature of affiant) _____
AMES DARRELL LOUD

Subscribed and sworn to before me, in said County and State, this 31st day of OCTOBER, 2000 year

DEPUTY _____
4L kirk of the County Commission

UPSHUR COUNTY, TO-WIT:

Be it remembered that on the 3RD day of OCTOBER, 2000, this Oath of Office was presented in the Clerk's Office of the County Commission of said County, according to law.

Teste: _____
1-guLu-11G.4 w
Clerk of the County Commission, Upshur County

UPSHUR COUNTY, WV
FILED
October 04, 2000 08:52:44

DEBBIE THACKER WILFONG
COUNTY CLERK
TRANSACTION NO: 2000013220

STATE OF WEST VIRGINIA, COUNTY OF UPSHUR, TO-WIT:

OATH OF OFFICE
Book: 00003 Page: 00036
Line: 00002

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of _____

ADRIAN PUBLIC SERVICE DISTRICT

to the best of my skill and judgment **SO HELP ME GOD:**

(Signature of affiant) _____
SHARON L BOWEN

Subscribed and sworn to before me, in said County and State, this 4TH day of OCTOBER, 2000 year

DEPUTY _____
R. Orm
Clerk of the County Commission

UPSHUR COUNTY, TO-WIT:

Be it remembered that on the 4TH day of OCTOBER, 2000, this Oath of Office was presented in the Clerk's Office of the County Commission of said County, and recorded according to law,

Teste: _____
Clerk of the County Commission, Upshur County, West Virginia



UPSHUR COUNTY, WV
FILED
November 01, 2002 15:21:54

DEBBIE THACKER WILFONS
COUNTY CLERK
TRANSACTION NO: 2002012843

OATH OF OFFICE
Book: 00003 Page: 00083
Line: 00002

11111 ¹¹ MIMMIR

STATE OF WEST VIRGINIA, COUNTY **OF UPSHUR, TO-WIT:**

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of
MEMBER OF 1Hr: ADRIAN
West Virginia, and that I will faithfully discharge the duties of the office of **PUBLIC SERVICE DISTRICT**
to the best of my skill and judgment **SO HELP ME GOO:**

(Signature of affiant) _____

Subscribed and sworn to before me, in said County and State, this DON KILLINGSWO
1ST day of No² FPJiFA 7002
year

Debbie Thacker Wilfong
Clerk of the County Commission

UPSHUR COUNTY, TO-WIT:

Be it remembered that on the 1ST day of NOVEMBER 2002 this Oath of Office was
year
presented in the Clerk's Office of the County Commission of said County, and recorded according to law.

Teste:

/s///

STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Debbie Thacker Wilfong, Clerk of the County Commission of Upshur County, West Virginia, do
hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing

in **OATH OF OFFICE** Book No. 3 at page No. 83

Given under my hand and the seal of said Commission this 22nd day of JANUARY 20 04

DEBBIE TRACKER WILFONG
Clerk, County Commission

BY: *Margaret* DEPUTY

OATH OF OFFICE

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--NZY c-FRY
TRANSACTION NO: 2004000S° 4

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Line: nnnnt

STATE OF WEST VIRGINIA, COUNTY OF UPS [MR. TO-WIT:

IIBEMNNMMIHEE IP

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the Slate of West Virginia, and that I will faithfully discharge the duties of the office of ADRIAN PUBLIC SERICE DISTRICT to the best of my skill and judgment SO HELP ME GOD:

(Signature of affiant)

STATE OF WEST VIRGINIA,
Upshur County, ss:

I, Debbie Thacker Wilfong, Clerk Of the County Commission of Upshur County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the some appearing in OATH OF OFFICE Book No. 2 at page No. 96

Given under my hand and the seal of said Commission this 23RD day of JANUARY 20 04

DEBBIE THACKER WILFONG
Clerk, County Commission

BY: Debbie Thacker Wilfong DEPUTY

STATE OF WEST VIRGINIA, COUNTY OF UPSHUR, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of to the best of my skill and judgment SO HELP ME GOD:

(Signature of affiant)

Subscribed and sworn to before me, in said County and State, this _____ day of _____ year

Clerk of the County Commission

UPSIPJR COUNTY, TO-WIT:

Be it remembered that on the _____ day of _____, this Oath of Office was presented in the Clerk's Office of the County Commission of said County, and recorded according to law.

Teste: _____
Clerk of the County Conwt, on Doh., Coumn, West Virginia

RULES OF PROCEDURE
ADRIAN PUBLIC SERVICE DISTRICT

ARTICLE 1

NAME AND PLACE OF BUSINESS

Section 1. Name: ADRIAN PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Rt. 1, Box 402, French Creek, Upshur County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Adrian Public Service District, and in the center "seal" as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Upshur County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the first Friday of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Upshur County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Upshur County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a special meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 13th day of February, 2004.

THE RECORD DELTA
P.O. BOX 550
 BUCKHANNON, WV 26201
Phone: (304) 472-2800
 FEIN No. 363672215

LEGAL ADVERTISING INVOICE

DATE January 30, 2004

STEPTOE & JOHNSON
 Karrie Mattox, Legal Assistant
PO Box 1588
 Charleston, WV 25326-1588

Acct. No. 6871
 Legal No. 4086

*RE NOTICE OF PUBLIC MEETING OF THE PUBLIC SERVICE
 BOARD OF ADRIAN PUBLIC SERVICE DISTRICT TO
 ADOPT BOND RESOLUTION*

January 30, 2004 \$42.75

2.00 Affidavit Fee

TOTAL AMOUNT \$44.75

Legal Rate: .095 cents per word for the first Insertion
 75% per insertion thereafter.

MAKE CHECKS PAYABLE TO

THE RECORD DELTA
 P.O. Box 550
 Buckhannon, WV 26201

STATE OF WEST VIRGINIA, COUNTY OF UPSHU

Bonita Swecker, Legal Clerk of the Record Delta, a
 published in Buckhannon in said county, do hereby c
 the annexed

*NOTICE OF PUBLIC MEETING OF THE PUS
 BOARD OF ADRIAN PUBLIC SERVICE)
 TO ADOPT BOND RESOLUTION*

Was published once in said Record Delta newspaper
 commencing on the
 3e day of JANUARY, 2004

Bonita S. C.

Printer's Fee 44.75

WEST VIRGINIA, UPSHUR COUNTY, TO WIT:

Subscribed and sworn before me this
 30th Day of JANUARY, 2004.

Phyllis J. Newhart
 Notary Public

My commission expires: *May 26, 2013*

4F '1 -- SEAL
 STATE OF WEST VIRGINIA
 NOTARY PUBLIC
 PHYLLIS J. NEU-ARTH
 RT. 2, BOX 95
 FRENCH CREEK, WV 2621B
 My Commission Expires May 26, 2013



**NOTICE OF PUBLIC
 MEETING OF THE
 PUBLIC SERVICE
 BOARD OF ADRIAN
 PUBLIC SERVICE
 DISTRICT TO
 ADOPT BOND RESOLUTION**

A regular meeting of the Public Service Board of Adrian Public Service District (the "PSD") shall be held on Friday, February 13, 2004, at 9:30 a.m. (prevailing time at the time of the meeting) at the office of the Board, French Creek, Upshur County, West Virginia, and at such meeting the Board shall consider and adopt such resolution entitled:

Resolution authorizing the acquisition and construction of certain public service properties consisting of additions, improvements and extensions to the existing waterworks system of Adrian Public Service District, the financing of the cost, not otherwise provided thereof, through the issuance by the District of not more than \$1,200,000 in aggregate principal amount of Water Revenue Bonds, Series 2004 & Unit 1.

Department of Agriculture); defining and prescribing the terms and provisions of the bonds; providing generally for the rights and remedies of and security for the holder of the bonds, and providing when this resolution shall take effect.

The above-quoted title of the Resolution describes generally the contents thereof and the purposes of the Bonds contemplated thereby. The proceeds of the Bonds will be used (i) to pay a portion of the costs of acquisition and construction of certain improvements to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the waterworks system of the District.

At the meeting the Board intends to adopt the Resolution and take such other actions as may be necessary in furtherance of the Project and the financing contemplated by the Resolution. Such meeting is open to the public.

Dated January 23, 2004
 James D. Loudin
 (01-30)

Adrian Public Service District

January 09, 2004

Board Meeting

Present from Adrian PSD were: Don B. Killingsworth, Chairman; Sharon L. Bowen, Vice Chairman; James D: Loudin, Sec., Treas.; Nina Monroe, Linda Weaver, Hunter Anderson and Terry Hamner. Also present were: Trey Hornor and Dustin Vincent from Hornor Brother's Engineers.

All motions are unanimous unless otherwise noted.

Don Killingsworth called the meeting to order.

Minutes of the December regular meeting and bid opening meeting were read and approved.

Bills were presented. Motion to pay was made by Sharon. Second by Darrell.

Trey brought CSX permits, which had been sent to his office. The total cost for the crossings and parallelism is \$24,500. We have enough money in the project budget to cover this expense. Motion to approve was made *by* Darrell. Second by Sharon.

We have received the Final Order approving our application for Certificate of Convenience and Necessity from the WV Public Service Commission. The Board reviewed the order and the tariff. Motion to approve the tariff was made by Darrell and second by Sharon. Don signed four (4) copies of the tariff for return to WV PSC.

The Board reviewed the contractor recommendation from Hornor Brothers. Diversified Enterprise, Inc. was the low bidder on all three Phase IV contracts. Trey provided summaries of the references he had checked. Sharon made motion to accept the Engineers recommendation. Second by Darrell. We will send letter to Joe Crickenberger at RUS advising of the Boards decision.

Trey will send letter and resumes of inspectors he plans to have on Phase IV. If the Board approves we will need to send letter to Joe Crickenberger at RUS advising of our acceptance. The Board wants Hunter and Terry to have final approval on meter settings.

We will schedule the Phase IV loan Pre-closing, Contract award and Pre-construction conference on Friday, February 13, 2004.

9:30 am	Pre-closing
10:30 am	Contract award
11:00 am	Pre-construction conference
1:00 pm	Monthly Board Meeting

Dustin Vincent made GIS presentation. He had added some features that the Board had requested. He has spoken with Will White at Seneca Technologies regarding the capability of our current computers to handle the mapping program. They agreed that we would need a computer with more memory and a bigger video card.

Sharon made motion to check on penalty of early withdrawal of CD's. If penalty is significant then see about getting a 90 day loan to cover expense of CSX permits and initial cost of GIS work by Homor Brothers. Second by Darrell.

Sharon made motion authorizing Darrell and Nina to sign for 90 day note. Second by Don.

Election of Officers: Sharon made motion to retain current positions. Second by Darrell.

Maintenance Dept.: All routine. Nothing else to report.

Office: All running smoothly. Nothing else to report.

Board of Directors

Don B. Killingsworth, Chairman

Sharon L. Bowen, Vice Chairman

James D. Loudin, Sec., Treas.

ADRIAN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

EXCERPT OF MINUTES ON ADOPTION OF
RULES OF PROCEDURE AND BOND RESOLUTION

The undersigned, SECRETARY of the Public Service Board of the Adrian Public Service District, hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the said Public Service Board:

The Public Service Board of the Adrian Public Service District met in regular session, pursuant to notice duly posted, on the 13th day of February, 2004, at the District's offices, French Creek, Upshur County, West Virginia, at the hour of 9:30 a.m.

PRESENT:	Chairman		Don B. Killingsworth
	Vice Chairman	-	Sharon L. Bowen
	Secretary-Treasurer	-	James D. Loudin

ABSENT: None

Don B. Killingsworth, Chairman, presided, and James D. Loudin acted as Secretary-Treasurer.

The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Chairman presented proposed Rules of Procedure for consideration and there was discussion. Thereupon, upon motion duly made and seconded, it was unanimously ordered that the said Rules of Procedure be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION
AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE
PROPERTIES CONSISTING OF ADDITIONS,
IMPROVEMENTS AND EXTENSIONS TO THE
EXISTING WATERWORKS SYSTEM OF ADRIAN
PUBLIC SERVICE DISTRICT, AND THE FINANCING

OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

and caused the same to be read and there was discussion. Thereupon, on motion duly made and seconded, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

CERTIFICATION

I hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 18th day of February, 2004.

S retary

02/11/04
002540.00001

WV MUNICIPAL BOND COMMISSION
 8 Capitol Street
 Suite 500, Terminal Building
 Charleston, WV 25301
 (304)558-3971

NEW ISSUE REPORT FORM

Date of Report: February 18, 2004

ISSUE: Adrian Public Service District, Water Revenue Bonds, Series 2004 A (United States Department of Agriculture)			
ADDRESS: 52 Second Street, Piedmont, WV 26750		COUNTY: Upshur	
PURPOSE OF ISSUE: New Money: X		REFUNDS ISSUE(S) DATED: NIA	
Refunding:			
ISSUE DATE: February 18, 2004	CLOSING DATE: February 18, 2004		
ISSUE AMOUNT: \$1,200,000	RATE: 4.5%		
1ST DEBT SERVICE DUE: NIA	1ST PRINCIPAL DUE: NIA		
1ST DEBT SERVICE AMOUNT: NIA	PAYING AGENT: None		
BOND COUNSEL: Steptoe & Johnson		UNDERWRITERS COUNSEL:	
Contact Person: Vincent A. Collins, Esquire		Contact Person:	
Phone: (304) 624-8161		Phone:	
CLOSING BANK: Bank One, WV, NA		ESCROW TRUSTEE:	
Contact Person:		Contact Person:	
Phone:		Phone:	
KNOWLEDGEABLE ISSUER CONTACT		OTHER: United States Department of Agriculture	
Contact Person: Nina Monroe		Contact Person: Rosemary Christian	
Position: Office Manager		Function: Rural Development Specialist	
Phone: (304) 924-6107		Phone: (304)252-8644	
DEPOSITS TO MBC AT CLOSE:		Accrued Interest:	\$
By: Wire	Capitalized Interest:	\$	
Check	Reserve Account:	\$	
	Other:	\$	
REFUNDS & TRANSFERS BY MBC AT CLOSE			
By: Wire	To Escrow Trustee:	\$	
Check	To Issuer:	\$	
IGT	To Cons. Invest. Fund:	\$	
	To Other:	\$	
NOTES: Monthly debt service payments will be made by the District directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2004 A Bonds Reserve Account. Payments to the Series 2004 A Bonds Reserve Account will commence upon completion of construction of the Project.			
FOR MUNICIPAL BOND COMMISSION USE ONLY:			
DOCUMENTS REQUIRED:			
TRANSFERS REQUIRED:			

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.



January 22, 2004

Mr. Don B. Killingsworth, Chairman
Adrian Public Service District
P.O. Box 87
French Creek, WV 26218

Dear Mr. Killingsworth:

This letter is to confirm that the pre-closing meeting for **the** USDA Rural Utilities Service (RUS) loan and grant on the upcoming Adrian PSD Phase IV Water Project will be held on February 13, 2004 at 9:30 a.m. in the Adrian PSD office building. A pre-construction conference will follow at 11:00 a.m. The official loan closing date *for the PSD's project* will be February 18, 2004. Please have your accountant and your attorney available at 9:30 a.m. for pre-closing decisions.

Reference is made to the RUS letter of conditions dated August 12, 2002. All of the requirements of this letter must be met and the loan must be closed in accordance with RUS Instruction 1780. Many of the aforementioned items have already been addressed. Those items remaining to be satisfied prior to loan closing include:

1. The Certification on the Loan Resolution will be completed at pre-closing.
2. The RUS Grant Agreement will be signed and dated at pre-closing.
3. The PSD's attorney will need to provide Form RD 442-22, Opinion of Counsel Relative to Rights-of-Way, showing no exceptions. This form should be dated February 18, 2004.
4. The PSD's attorney must furnish a Form FmHA 1927-10, Final Title Opinion, on all land(s) being acquired. In addition, **the** attorney must provide a separate final title opinion(s) covering all existing property owned **by the PSD**. **The opinion(s)** should be dated **February 18, 2004**.

5. In accordance with Item 8(c) of the letter of conditions, the PSD's attorney must furnish a narrative opinion addressing all permits, certifications, and other items necessary to show that all legal requirements can be met and stating how they will be met prior to the closing date. The narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled. At minimum, a "right of entry" must be obtained for all properties before the pre-closing.
6. In accordance with the Legal Services Agreement, your *project* attorney should be on hand during the pre-construction conference to review construction contracts, and contracting procedure, as well as surety and contractual bonds in connection with the project.
7. On or before the pre-closing, the PSD must provide to RUS evidence *that all* insurance and position fidelity bond coverage has been obtained as required by Item 11 of the letter of conditions. USDA RUS is requesting that the PSD carry at least \$300,000 in fidelity bond coverage during the construction phase of the project. The fidelity bond should cover all individuals who will have access to project funds.
8. The permit from the West Virginia Department of Highways must be on hand at the closing. The PSD should proceed to obtain the necessary bond and forward it to the WVDOH with a request that the permit be issued.
9. All applicable Public Service Commission certificates and/or approvals must be obtained prior to closing_ (It appears that this requirement has been met.)
10. The PSD must provide RUS with a current copy of their Workers' Compensation Certificate.
11. The Contractors involved in the construction of the project will need to complete Form AD 1048, "Certification Regarding Debarment - Lower Tier Covered Transactions".
12. Please be prepared to have a properly called meeting of the PSD's Board of Directors in case it becomes necessary for the Board to make decisions in connection with your project. Also please have the PSD's official seal on hand to use for authenticating documents,

13. Nancy Taylor, our Rural Development Technician, is planning to complete a Civil Rights Compliance Review with the PSD at the pre-closing. This is normally in *the format of* an informal interview to help her gather the information for the review.

Thank you for doing business with USDA Rural Development. If you have any questions regarding these or any other matters pertaining to your loan, please contact our office at your earliest convenience.

Sincerely,


Joseph C. Enberger
Rural Development Specialist

CC: Stale Director
USDA- Rural Development

Vincent A. Collins ✓
Steptoe & **Johnson**
Bond Counsel

Norman T. Farley
West & Jones
Attorney at Law

Trey Horror
Horror Brothers Engineers
Consulting Engineers

Randy Harris
Harris & Co.
Certified Public Accountant

August 12, 2002

Stephens & Johnson

Donald Killingsworth, Chairman
Adrian Public Service District
P.O. Box 87
French Creek, WV 26218

COY

Dear Mr. Killingsworth:

This letter, with Attachments I through 14 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS loan in the amount of \$1,200,000, and an RUS grant in the amount of \$2,285,000, for a total project cost of \$3,485,000.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

- Attachment No. 1 - Project Construction Budget (All Copies)
- Attachment No. 2 - Water and Waste Processing Checklist for Adrian PSD
(All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel
Copies)

- Attachment No. 6 - RUS Supplemental General Conditions (Engineer Copy)
- Attachment No. 7 - RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Project with RUS Financial Assistance"
- Attachment No. 8 - Government Auditing Standards (Revision 1994) (Accountant Copy)
- Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement "
- Attachment No. 10 - RUS Bulletin 1780-31, "Water Programs Compliance Supplement for OMB Circular A-133 Audits"
- Attachment No. 11 - Adrian PSD Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 12 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 13 - Sample Credit Agreement (Applicant Copy)
- Attachment No. 14 - Various other RD Forms as identified on Attachment No. 2

Your documents concerning the creation of your authority are administratively acceptable; however, they will be further reviewed by our Office of the General Counsel at the time your file is forwarded for closing instructions. Any changes required by our Office of the General Counsel will be included in the closing instructions.

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.50% interest rate and a monthly amortization factor of .00459, which provides for a monthly payment of \$5,508. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien of equal priority with the District's existing bonds, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional

security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.

3. Users - This conditional commitment is based upon you providing evidence that you will have at least 1,457 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 192 signed user agreements and a certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Water Users Agreement (RUS Bulletin 1780-9) will be used. Each user signing an agreement must make a user contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user agreement or a declination statement, the individual making the contact for the PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service. Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the water service of the existing system (paying monthly bills), (2) signed user agreements, (3) signed service declination statements, (4) records evidencing user contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

The RUS loan and grant commitment is based on the PSD providing service to 6 large volume users. Evidence must be provided to show those users will actually be connected to the system when it is completed and that the monthly water usage projected for each by the engineer is reasonable. In the event any of those users refuse the offered service, the PSD must obtain enough additional revenue (i.e., increase in user rates, sign up of an adequate number of other users, reduction in project scope to reduce debt service and O&M, etc.) to make up the projected income that would be lost by not having those users on the system.

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Subpart D

of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

5. Engineering Services - It will be necessary for you to obtain the services of an engineer. EJCDC No. 1910-1-FA, "Standard Form of Agreement between Owner and Engineer for Professional Services" (Funding Agency Edition) should be used to obtain the services of an engineer. The EJCDC document is issued under copyright and cannot be provided by RUS.

Prior to loan and grant closing, you must provide RUS with documentation that the West Virginia Public Service Commission has reviewed and approved the engineering agreement.

6. Legal Services - It will be necessary for you to obtain the services of a local attorney. For your convenience RUS Bulletin 1780-7, "Legal Services Agreement" is enclosed for your use.
7. Accounting Services - It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
 - b. Prior to the advertisement of bids, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

The Accountant's Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

RUS regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your PSD. The attached booklets, "Government Auditing Standards (Revised 1994)" (Attachment No. 8), and RUS Bulletins 1780-30 and 1780-31 (Attachment Nos. 9 and 10) outline audit requirements.

You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$300,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to

perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

8. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:
 - a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
 - b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form RD 1927-9, "Preliminary Title Opinion" may be used. In the case of your existing system or where the PSD already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.
 - c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.
 - d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, *whichever* occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions.
 - e. On the day of loan closing, the PSD's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the PSD has already acquired real property(s) (land or facilities), the PSD's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.
9. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:

- West Virginia Department of Highways
- Railroads
- State Department of Health
- Department of Environmental Protection
- Corps of Engineers
- Public Land Corporation

10. Public Service Commission Approvals - You must obtain the following from the Public Service Commission of West Virginia:

- a. A Certificate of Convenience and Necessity.
- b. Approval of user charges that are acceptable to you and the Rural Utilities Service.
- c. Approval of financing for the project's proposed financing arrangements.

The "Rule 42" Exhibit to be attached to the Public Service Commission application must contain at least the information shown in Attachment No. I. A copy of the Public Service Commission application and its "Rule 42" Exhibit must be provided for review.

11. Insurance and Bonding Requirements - Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:

- a. Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.
- b. Workers' Compensation - In accordance with appropriate State laws.
- c. Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).
- d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special

flood or mudslide prone areas:

- (1) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (2) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.
- e. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

12. Contract Documents, Final Plans and Specifications -

- a. The contract documents should consist of the following:
- (1) EJCDC Document No. 1910-8-A-I-FA, 1997 Edition, "Standard Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. 1910-8-FA, "Standard General Conditions of the Construction Contract -- Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.

- (2) "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance," is enclosed for use by your engineer in the preparation of the contract documents (Attachment No. 7).

- b. The contract documents must provide, as a minimum, the following insurance:

- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. This coverage must include indemnification of the PSD and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.

- (2) Builder's Risk Insurance - On all structures and mechanical and electrical

equipment in place or stored on the site to the full insurable value thereof.

(3) Workers' Compensation - In accordance with applicable State laws.

- c. The contract documents and final plans and specifications must be submitted to RUS for approval.
- d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 13).

14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account.

Public Bodies - Interest earned on grant funds in excess of \$100 per year will be submitted to RUS at least quarterly as required in 7 CFR 3016.

The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.

15. Water Purchase Contract - You propose to purchase treated water from the City of Buckhannon; therefore, you must enter into a Water Purchase Contract. Form RD 442-30 must be used unless you receive an exception from RUS.

16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

Form RD 442-7 - "Operating Budget"

Form RD 1940-1 - "Request for Obligation of Funds"

RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"

RUS Bulletin 1780-27 - "Loan Resolution (Public Bodies)"

Form RD 400-1 - "Equal Opportunity Agreement"

Form RD 400-4 - "Assurance Agreement"

Form AD 1047 - "Certification Regarding Debarment - Primary"

Form AD 1049 - "Certification Regarding Drug-Free Workplace"

Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"
 FmHA Instruction 1940-Q, Exhibit A-I, "Certification for Contracts, Grants and
 Loans"
 Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)
 Certification of Compliance
 Form RD 1942-46, "Letter of Intent to Meet Conditions"

17. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.
18. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed.

When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,



A-1ENNY N. PHILLIPS
State Director

Enclosures

cc: Rural Development Specialist
Elkins, WV

Harris & Company
P.O. Box 732
Buckhannon, WV 26201

Honor Brothers Engineering
P.O. Box 386
Clarksburg, WV 26301

Steptoe & Johnson
P.O. Box 2190
Clarksburg, WV 26301

Protect Construction Budget

PROJECT COST	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION	\$ 1,837,900	\$ 878,100	\$ 2,716,000
CONST. CONTINGENCY	\$ 104,200	\$ 31,600	\$ 135,800
LAND & RIGHTS	\$ 10,200	\$ 4,800	\$ 15,000
LEGAL FEES	\$ 12,200	\$ 5,800	\$ 18,000
BOND COUNSEL	\$ 8,800	\$ 4,200	\$ 13,000
ACCOUNTING	\$ 2,700	\$ 1,300	\$ 4,000
ENGINEERING FEES	\$ 276,200	\$ 132,000	\$ 408,200
Basic - \$237,400			
Insp. - \$156,800			
Special - \$14,000			
INTEREST		\$ 108,000	\$ 108,000
EQUIPMENT	\$ 10,200	\$ 4,800	\$ 15,000
PROJECT CONTG.	\$ 22,600	\$ 29,400	\$ 52,000
TOTAL	\$ 2,285,000	\$ 1,200,000	\$ 3,485,000

Rates

Available for general domestic, commercial, and industrial service.

First	3,000	gallons @	\$	7.64	per M gallons
Next	3,000	gallons @	\$	7.32	per M gallons
Next	4,000	gallons @	\$	7.06	per M gallons
Next	10,000	gallons @	\$	6.80	per M gallons
Over	20,000	gallons @	\$	6.54	per M gallons

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

518" x 3/4"	meter	\$	22.92	per month
3/4"	meter	\$	34.38	per month
1"	meter	\$	57.30	per month
1 1/2"	meter	\$	114.60	per month
2"	meter	\$	183.36	per month
3"	meter	\$	343.80	per month
4"	meter	\$	573.00	per month
6"	meter	\$	1,146.00	per month
8"	meter	\$	1,833.61	per month

Minimum Monthly Bill \$ 22.92 for 3,000 gallons

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

if any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Letter of Conditions
 For: Adrian Public Service District
 Date:

ADRIAN PUBLIC SERVICE DISTRICT
 USE AND INCOME ANALYSIS
 EXISTING SYSTEM

Blocking	Gust.	Gall Mo.	Minimum Bills 3000gal	First 3,000	Next 3,000	Next 4,000	Next 10,000	Over 20,000	TOTAL REVENUE
<i>0 - 3,000</i>	<i>744</i>	<i>2232</i>	<i>744</i>						
<i>3,000-6,000</i>	<i>424</i>	<i>2039</i>		<i>1272</i>	<i>767</i>				
<i>6,001-10,000</i>	<i>78</i>	<i>605</i>		<i>234</i>	<i>234</i>	<i>137</i>			
<i>10,001-20,000</i>	<i>13</i>	<i>183</i>		<i>39</i>	<i>39</i>	<i>52</i>	<i>53</i>		
<i>>20,000</i>	<i>6</i>	<i>719</i>		<i>18</i>	<i>18</i>	<i>24</i>	<i>60</i>	<i>599</i>	
Monthly Total	1265	5778	744	1563	1058	213	113	599	
Proposed Rates			\$ 22.92	\$ 7.64	\$ 7.32	\$ 7.06	\$ 6.80	\$ 6.54	
Monthly Revenues			\$ 17,052.48	\$ 11,941.32	\$ 7,744.56	\$ 1,503.78	\$ 768.40	\$ 3,917.46	\$ 42,928.00
Annual Revenues			\$204,629.76	\$143,295.84	\$ 92,934.72	\$ 18,045.36	\$ 9,220.80	\$47,009.52	\$ 515,136.00

Attachment No. 1 to Letter of Conditions
 For: Adrian Public Service District
 Date:

ADRIAN PUBLIC SERVICE DISTRICT
USE AND INCOME ANALYSIS
EXTENSION AREA - PHASE IV

Blocking	Gust.	Gall Mo.	Minimum Bills 3000gal	First 3,000	Next 4,000	Next 20,000	Next 75,000	Over 102,000	TOTAL REVENUE
0 - 3,000	115	345	115						
3,001-6,000	65	311		195	116				
6,001-10,000	12	93		36	36	21			
10,001-20,000									
>20,000									
Monthly Total	192	749	115	231	152	21	0	0	
Proposed Rates			\$ 22.92	\$ 7.64	\$ 7.32	\$ 7.06	\$ 6.80	\$ 6.54	
Monthly Revenues			\$ 2,635.80	\$ 1,764.84	\$ 1,112.64	\$ 148.26	\$ -	\$ -	\$ 5,661.54
Annual Revenues			\$ 31,629.60	\$ 21,178.08	\$ 13,351.68	\$ 1,779.12	\$ -	\$ -	\$ 67,938.481

ADRIAN PUBLIC SERVICE DISTRICT
CASH FLOW

OPERATING INCOME		
Metered Sales	\$	583,074
Penalties	\$	7,694
Other Income		
Reconnect Fees		
TOTAL OPERATING INCOME		\$ <u>590,768</u>
NONOPERATING INCOME		
Interest income		
TOTAL NONOPERATING INCOME		
TOTAL INCOME		<u>\$ 590,768</u>
EXPENSES		
O & M	\$	233,120
Plant Additions (1)		
Taxes	\$	6,419
TOTAL EXPENSES		<u>\$ 239,539</u>
INCOME AVAILABLE FOR DIS (A)		<u>\$ 351,229</u>
DEBT SERVICE		
Existing Bond P & I (B)	\$	240,108
Proposed P + I (B) (1)	\$	66,096
TOTAL DEBT SERVICE		<u>\$ 306,204</u>
DEBT SERVICE RESERVE		
Debt Service Reserve (2) R&R	\$	16,524
TOTAL DEBT SERVICE RESERVE		<u>\$ 16,524</u>
SURPLUS (DEFICIT)		<u>\$ 28,501</u>
DEBT COVERAGE (NB)		\$ 1.15
Increase needed	0.16	

1) Based on loan of \$1,200,000 @ 4.5% for 38 yrs.;RUS grant of \$2,285,000.

2) Basedon present reserve (\$9,914 from Rule 42) plus proposed reserve (\$6,610)

**UNITED STATES DEPARTMENT OF AGRICULTURE
 RURAL UTILITIES SERVICE
 Water and Waste Processing Checklist**

Form Number	Document or Action	Number Needed	Procedure Reference	Provided	Target Date	Date Received	File Position
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		HAVE	3
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant		HAVE	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant			3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		HAVE	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		HAVE	5
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant			1
	Staff Review Financial Statements	1	S.I.1780.2	RUS		HAVE	1
EJCDC No. 1910-1-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		HAVE	6
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney			5
(NPA's Only)	Organizational Documents	1	1780.33(e)	Applicant/ Attorney		HAVE	5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided	Target Date	Date Received	File Position
	Site Visit		S.I. 1780-2	RUS			3
	Processing Conference	1	1780.39(a)	RUS		HAVE	3
	Environmental Report	2	1794	Applicant		HAVE	3
	Environmental Assessment	2	1794	RUS/ Engineer		HAVE	3
	FONSI/ Evidence of Publication	1	Exhibit 1 RUS 1794 News Ad	RUST Applicant		HAVE	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		HAVE	6
	Staff Engineer PER Review	1	1780.33(c)	RUS		HAVE	3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		HAVE	8
	Projected Bill Analysis for New Users	2	1780.33(c)	Applicant/ Engineer		HAVE	8
	Statement reporting the total number of potential users		1780.33(c)	Applicant/ Engineer		HAVE	8
	Copy of Existing Rate Tariff	2	1780.33	Applicant		HAVE	8
	Applicant's IRS Tax Number(T1N)	1	1780.33(g)	Applicant		HAVE	3
	Agency Det- ermination on the Availability of "Other Credit" with Docu- mentation	1	1780.7(d)	RUS		HAVE	3

Form Number	Document or Action	Number Needed	Procedure Reference	Provided	Target Date	Date Received	File Position
	Documentation on Service Area	1	1780.11	RUS			3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		HAVE	1
Automated Form	Grant Determination	3	1780.35(b)	RUS		HAVE	2
	Letter of Conditions	7	1780.41 (a)(5)	RUS		HAVE	3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant			5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5
Exhibit A 1 A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant			2
RD 1942-45	Project Summary	3	1780.41(a)	RUS		HAVE	1
RD 442-7	Operating Budget	3	1780.33(h)	Applicant			3
RD 1942-14	Project Fund Analysis	3	1780.41(a)	RUS		HAVE	2
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/ Applicant			2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant			2
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant			3

Form Number	Document or Action	Number Needed	Procedure Reference	Provided	Target Date	Date Received	File Position
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant			5
	Relationships/ Associations with Agency Employees	1	1780.1(f)	RUS			3
RD 1910-11	Applicant Certification, Federal Collection Policies	1	1780.33(h)	Applicant			3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a) (2)	Applicant			5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant			6
RD 400-4	Assurance Agreement	1	1901-E	Applicant			3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant			5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant			5
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	Applicant			Separate File
	2. List of Signed Users Numbered to Map	1	LOC	Applicant			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	3. List of Declination Statements Numbered to Map	1	LOC	Applicant			5
	4. Evidence of Tap Fees Being Paid	1	LOC	Applicant			5
	5. Having Users Agreements and Declination Statements Available		LOC	Applicant			
	6. Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
RD 442-30	Water Purchase Contract	1	1780.62/ 1780.63	Applicant/ Attorney/ RUS			5
	Accountant's Certification	1	LOC	Applicant/ Accountant			3
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documenta- tion	1	1780.39(d)	Applicant/ RUS			1
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15p)	Applicant			6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Corps of Engineers Permit	1	1780.15(d)	Applicant			6
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
	Waiver of Title Defects Letter	1	1780.44(g)	RUS			5
RD 442-22	Opinion of Counsel Relative to RNVays		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3

Form Number	Document or Action	Number Needed	Procedure Reference	Provided I	Target Date	Date Received	File Position
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant			5
	Documentation Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			5
	Bid Tabulation	1	1780.61(b)	Engineer			6
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
	Flood Insurance Policy	1	1780.39(g)	Applicant			7

Form Number	Document or Action	Number Needed	Procedure Reference	Provided	Target Date	Date Received	File Position
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5

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1780.95 Public bidding on bonds 62

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Authority: 5 U.S.C. 301; 7 U.S.C. 1989; 16 U.S.C. 1005.

RUS Instruction 1780

Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants"

§1780.80 General.

This subpart includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, referred to as bonds in this subpart) and other necessary loan documents.

§1780.81 policies related to use of bond counsel.

The applicant is responsible for preparation of bonds and bond transcript documents. The applicant will obtain the services and opinion of recognized bond counsel experienced in municipal financing with respect to the validity of a bond issue, except for issues of \$100,000 or less. With prior approval of the approval official, the applicant may elect not to use bond counsel. Such issues will be closed in accordance with the following:

- (a) The applicant must recognize and accept the fact that application processing may require additional legal and administrative time;
- (b) It must be established that not using bond counsel will produce significant savings in total legal costs;
- (c) The local attorney must be able and experienced in handling this type of legal work;
- (d) The applicant must understand that it will likely have to obtain an opinion from bond counsel at its expense should the Agency require refinancing of the debt;
- (e) Bonds will be prepared in accordance with this regulation and conform as closely as possible to the preferred methods of preparation stated in §1780.94; and
- (f) Closing instructions must be issued by OGC.

§1780.82 [Reserved]

§1780.83 and transcript documents

Any questions relating to Agency requirements should be discussed with Agency representatives. Bond counsel or local counsel, as appropriate, must furnish at least two complete sets of the following to the applicant, who will furnish one complete set to the Agency:

- (a) Copies of all organizational documents;
- (b) Copies of general incumbency certificate;
- (c) Certified copies of minutes or excerpts from all meetings of the governing body at which action was taken in connection with the authorizing and issuing of the bonds;
- (d) Certified *copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding a favorable bond election, if one is necessary;*
- (e) Certified copies of the resolutions, ordinances, or other documents such as the bond authorizing resolutions or ordinances and any resolution establishing rates and regulating use of facility, if such documents are not included in the minutes furnished;
- (f) Copies of the official Notice of Sale and the affidavit of publication of the Notice of Sale when State statute requires a public sale;
- (g) Specimen bond, with any attached coupons;
- (h) Attorney's no-litigation certificate;
- (i) Certified copies of resolutions or other documents pertaining to the bond award;
- a) *Any additional or supporting documents required by bond counsel;*
- (k) For loans involving multiple advances of Agency loan funds, a preliminary approving opinion of bond counsel (or local counsel if no bond counsel is involved) if a final unqualified opinion cannot be obtained until all funds are advanced. The preliminary opinion for the entire issue shall be delivered at or before the time of the first advance of funds. It will state that the applicant has the legal authority to issue the bonds, construct, operate and maintain the facility, and repay the loan, subject only to changes occurring during the advance of funds, such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates;
- (l) Final unqualified approving opinion of bond counsel, (and preliminary approving opinion, if required) or local counsel if no bond counsel is involved, including an opinion as to whether interest on bonds will be exempt from Federal and State income taxes. With approval of the State program official, a final opinion may be qualified to the extent that litigation is pending relating to Indian claims that may affect title to land or validity of the obligation. It is permissible for such opinion to contain language referring to the last sentence of Section 306 (a)(1) or to Section 309A (h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 (a)(1) or 1929a (h)).

§§1780.84 and 1780.86 [Reserved]

§1780.87 Permanent instruments for Agency loans.

Agency loans will be evidenced by an instrument determined legally sufficient and in accordance with the following order of preference:

(a) First preference - Form RD 440-22. "Promissory Note". Refer to paragraph (b) of this section for methods of various frequency payment calculations.

(b) Second preference - single instruments with amortized installments. A single instrument providing for amortized installments which follows Form RD 440-22 as closely as possible. The full amount of the loan must show on the face of the instrument, and there must be provisions for entering the date and amount of each advance on the reverse or an attachment. When principal payments are deferred, the instrument will show that "interest only" is due on interest-only installment dates, rather than specific dollar amounts. The payment period including the "interest only" installment cannot exceed 40 years, the useful life of the facility, or State statute limitations, whichever occurs first. The amortized installment, computed as follows, will be shown as due on installment dates thereafter.

(1) Monthly payments. Multiply by twelve the number of years between the due date of the last interest-only installment and the final installment to determine the number of monthly payments. When there are no interest-only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the loan amount by the amortization factor and round to the next higher dollar.

(2) Semiannual payments. Multiply by two the number of years between the due date of the last interest-only installment and the due date of the final installment to determine the correct number of semiannual periods. When there are no interest-only installments, multiply by two the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor.

(3) Annual payments. Subtract the due date of the last interest-only installment from the due date of the final installment to determine the number of annual payments. When there are no interest-only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor and round to the next higher dollar

(c) Third preference - single instruments with installments of principal plus interest. If a single instrument with amortized installments is not legally permissible, use a single instrument providing for installments of principal plus interest accrued on the principal balance. For bonds with semiannual interest and annual principal, the interest is calculated by multiplying the principal balance times the interest rate and dividing this figure by two. Principal installments are to be scheduled so that total combined interest and principal payments closely approximate amortized payments.

(1) The repayment terms concerning interest only installments described in paragraph (b) of this section apply.

(2) The instrument shall contain in substance provisions indicating:

(i) Principal maturities and due dates;

(ii) Regular payments shall be applied first to interest due through the next principal and interest installment due date and then to principal due in chronological order stipulated in the bond; and

(iii) Payments on delinquent accounts will be applied in the following sequence:

(A) billed delinquent interest;

(B) past due interest installments;

(C) past due principal installments;

(D) interest installment due; **and**

(E) principal installment due.

(d) Fourth preference - serial bonds with installments of principal plus interest. If instruments described under the first, second, and third preferences are not legally permissible, use serial bonds with a bond or bonds delivered in the amount of each advance. Bonds will be numbered consecutively and delivered in chronological order. Such bonds will conform to the minimum requirements of §1780.94. Provisions for application of payments will be the same as those set forth in paragraph (c)(2)(ii) of this section.

(e) Coupon bonds. Coupon bonds will not be used unless required by State statute. Such bonds will conform to the minimum requirements of §1780.94.

§1780.88 [Reserved]

§1780.89 Multiple advances of Agency funds using permanent instruments.

Where interim financing from commercial sources is not used, Agency loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

§1780.90 Multiple advances of Agency funds using temporary debt instruments.

When none of the instruments described in §1780.87 are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple **advances** of Agency funds and will be for the full amount of the Agency loan. The instrument will be prepared by bond counsel, or local counsel if bond counsel is not involved, and approved by the State program official and OGC. At the same time the Agency delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

- (a) The date from which each advance will bear interest;
- (b) The interest rate as determined by §1780.13;
- (c) A payment schedule providing for interest on outstanding principal at least annually; and
- (d) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instruments and no longer than the 40-year statutory limit.

§§1780.91 - 1780.93 [Reserved]

§1780.94 Minimum bond specifications.

The provisions of this section are minimum specifications only and must be followed to the extent legally permissible.

- (a) Type and denominations. Bond resolutions or ordinances will provide that the instruments be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than \$1,000). Single bonds may provide for repayment of principal plus interest or amortized installments. Amortized installments are preferred by the Agency.
- (b) Bond registration. Bonds will contain provisions permitting registration for both principal and interest. Bonds purchased by the Agency will be registered in the name of "United States of America" and will remain so registered at all times while the bonds are held or insured by the Government. The Agency address for registration purposes will be that of the Finance Office.

(c) Size and quality. Size of bonds and coupons should conform to standard practice. Paper must be of sufficient quality to prevent deterioration through ordinary handling over the life of the loan.

(d) Date of bond. Bonds will normally be dated as of the day of delivery. However, the borrower may use another date if approved by the Agency. Loan closing is the date of delivery of the bonds or the date of delivery of the first bond when utilizing serial bonds, regardless of the date of delivery of the funds. The date of delivery will be stated in the bond if different from the date of the bond. In all cases, interest will accrue from the date of delivery of the funds.

(e) Payment date. Loan payments will be scheduled to coincide with income availability and be in accordance with State law.

(1) If income is available monthly, monthly payments are recommended unless precluded by State law. If income is available quarterly or otherwise more frequently than annually, payments must be scheduled on such basis. However, if State law only permits principal plus interest (P&I) type bonds, annual or semiannual payments will be used.

(2) The payment schedule will be enumerated in the evidence of debt, or if that is not feasible, in a supplemental agreement.

(3) If feasible, the first payment will be scheduled one full month, or other period, as *appropriate, from the date of loan closing or any* deferment period. *Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.* When principal payments are deferred, interest-only payments will be scheduled at least annually.

(f) Extra payments. Extra payments are derived from the sale of basic chattel or real estate security, refund of unused loan funds, cash proceeds of property insurance and similar actions which reduce the value of basic security. At the option of the borrower, regular facility revenue may also be used as extra payments when regular payments are current. Unless otherwise established in the note or bond, extra payments will be applied as follows:

(1) For loans with amortized debt instruments, extra payments will be applied first to interest accrued to the date of receipt of the payment and second to principal.

(2) For loans with debt instruments with P&I installments, the extra payment will be applied to the final unpaid principal installment.

(3) For borrowers with more than one loan, the extra payment will be applied to the account secured by the lowest priority of lien on the property from which the extra payments was obtained. Any balance will be applied to other Agency loans secured by the property from which the extra payment was obtained.

(4) For assessment bonds, see paragraph (k) of this section.

(g) The place of payments on bonds purchased by the Agency will be determined by the Agency.

(h) Redemptions. Bonds will normally contain customary redemption provisions. However, no premium will be charged for early redemption on any bonds held by the Government.

(l) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless acceptable documentation is provided establishing that net revenues for the fiscal year following the year in which such bonds are to be issued will be at least 120 percent of the average annual debt serviced requirements on all bonds outstanding, including the newly-issued bonds. For purposes of this section, net revenues are, unless otherwise defined by State statute, gross revenues less essential operation and maintenance expenses. This limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then-outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan resolution.

(j) Precautions. The following types of provisions in debt instruments should be avoided:

(1) Provisions for the holder to manually post each payment to the instrument.

(2) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than the Agency, may post the date and amount of each advance or repayment on the instrument.

(3) Provisions that amend covenants contained in Forms RD 1942-47 or RD 1942-9.

(4) Defeasance provisions in loan or bond resolutions. When a bond issue is defeased, a new issue is said which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes the Agency from requiring refinancing before the final maturity date, it represents a violation of the statutory refinancing requirement; therefore, it is disallowed. No loan documents shall include a provision of defeasance.

(k) Assessment bonds. When security includes special assessment to be collected over the life of the loan, the instrument should address the method of applying any payments made before they are due. It may be desirable for such payments to be distributed over remaining payments due, rather than to be applied in accordance with normal procedures governing extra payments, so that the account does not become delinquent.

(l) Multiple debt instruments. The following will be adhered to when preparing debt instruments:

(1) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments;

(2) Loans obligated in different fiscal years and those obligated with different terms in the same fiscal year will be evidenced by separate debt instruments;

(3) Loans obligated for the same loan type in the same fiscal year with the same term may be combined in the same debt instrument;

(4) Loans obligated in the same fiscal year with different interest rates that will be closed at the same interest rate may be combined in the same debt instrument.

§1780.95 Public bidding on bonds.

Bonds offered for public sale shall be offered in accordance with State law and in such a manner to encourage public bidding. The Agency will not submit a bid at the advertised sale unless required by State law, nor will reference to Agency's rates and terms be included. If no acceptable bid is received, the Agency will negotiate the purchase of the bonds.

§§1780.96 - 1780.100 [Reserved]

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Directors

OF Adrian Public Service District

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS Phase IV

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Adrian Public Service District
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

ONE MILLION TWO HUNDRED THOUSAND AND XX 1100 DOLLARS

pursuant to the provisions of Chapter 16, Article 13A, West Virginia Code and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association,

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other Legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the reserves Revenue accumulated over and above That needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. If revenue is insufficient to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Washington, DC 20503, and to the Office of Management and Budget, Paperwork Project (0418-0042).

11. To acquire and maintain such surety and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ 2,285,000.00

under the terms offered by the Government; that Chairman

and _____ of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

Yeas

Nays 17

Absent

IN WITNESS WHEREOF, the Board of Directors _____ of the

Adrian Public Service District _____ has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 16th day of June 2010

Atte | _____
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24 & K^a - _____

CERTIFICATION TO BE EXECUTED AT LOAN

E, the undersigned, as alitaly TO ay of the Adrian Public Service District

hereby certify that the Board of Directors of such Association is composed of

3 members, of whom 2 constituting a quorum, were present at a meeting thereof duly called and

held on the 6/4 day of Jeft-C JP-ZU-2 and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of Fe-drew ou/f. 20⁰ f the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this _____ day of retj _____ v. _____ cg



Title Z'XIP-Y P S~! .??-.S-f-ASQ

WATER OR WASTE SYSTEM GRANT
UNITED STATES DEPARTMENT OF
RURAL UTILITIES

THIS AGREEMENT dated _____ between

Adrian Public Service District

a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of **\$3,485,000.00** and has duly authorized the undertaking of such project.

Grantee is able to finance not more than **\$1,200,000.00** of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge

Said sum of **\$1,200,000.00** has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed **\$2,285,000.00** or **65.57%** percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed **65.57%** percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes

of service. adopted by resolution dated _____, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 0411711998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

All real property associated with the Adrian Public Service District treatment and distribution system.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A Grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/1711998]

I. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds, for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

- (c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.
- (d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
- (e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).

NIA

M. Provide Financial Management Systems which will include:

- 1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
- 2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
- 3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
- 4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (3: U.S.C. § 1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:
(Revision 1. 11120119971

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/97]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term " facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed **\$ 2,285,000.00** which it will advance to Grantee to meet not to exceed **65.6%** percent of the project development costs of tl project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

C: Arthur J. ... *tit*

and attested and its corporate seal affixed by its duly authorized

S... ..

Attest:

By: Arthur J. ... *tit*

(Title): Sec. Treas.

By: [Signature]

(Title): ...

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: [Signature] Rural Development Specialist
(Title)

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 12th day of September 19 between the Water Board of the City of Buckhannon, City Hall,
Buckhannon, West Virginia 26201
(Address)

hereinafter referred to as the "Seller" and the Adrian Public Service District, a public
corporation, P.O. Box 87, French Creek, WV 26218
(Address)

hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Chapter 16, Article 13A of the Code of West Virginia, as amended, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plans of the system now on file in the office of the Purchaser, and

Whereas, by Resolution No. 57, enacted on the 14th day of May, 19 87, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said Resolution was approved, and the execution of this contract carrying out the said Resolution by the Chairman and attested by the Secretary, was duly authorized, and

Whereas, by Resolution, of the Public Service Board of the Purchaser, enacted on the day of , 19 the purchase of water from the Seller in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the Chairman and attested by the Secretary was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Department of Health of the State of West Virginia in such quantity as may be required by the Purchaser not to exceed 5'000,000 gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated

at pounds from an existing twelve (12) inch main supply at a MRIR or located at a point near the Seller's 705,000 gallon water storage tank and across State Route 4 & 20 from Buckhannon-Upshur High School

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service, subject to Paragraph 11

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate

shall be corrected for the ~~., SIX (6) months~~ previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller

or about the day

and Purchaser shall agree upon a different amount. The metering equipment shall be read on of each Month

An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the _____ day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. (Rates and **Payment Date**) To pay the Seller, not later than the 30th day of each month, for water delivered in accordance with the following schedule of rates:

- a. \$ n/a for the first _____ gallons, which amount shall also be the minimum rate per month.
- b. \$ n. la cents per 1000 gallons for water in excess of _____ gallons but less than _____ gallons.
- c. \$ n/a cents per 1000 gallons for water in excess of _____ gallons.
- d. One Dollar Seven Cents (\$1.07) for each 1,000 gallons of water, with rates subject to modification on an annual basis as hereinafter set forth.

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system

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of the Purchaser, th}()O84}(4)(4. ~~X1(G(X X1(Xv-)(X)(O~~ 0() iXs lr kx n+X rR*xrWl costs of the Seller for installation

of th metering equipment and to be shown by a statement showing such actual costs of Seller.

C. It is further mutually agreed between the Seller and the Purchaser as follows;

1. (Term of Contract) That this contract shall extend for a term of forty (40) years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That ~~thirty~~ (30) days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a

flat charge of \$ 50.00 which will be paid by the contractor or, on his failure to pay, by the Purchaser.

4. (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every one (1) year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such casts shall not include increased capitalization of the Seller's system. Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, **acting** through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration.

8. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

9. (Prior Agreements) This Agreement shall supersede and replace any prior agreements between the parties.

10. (Additional Quantity) Seller agrees that it will give reasonable consideration to increasing maximum monthly gallonage on request of Purchaser, subject to its water system having capacity to provide additional water.

11. (Pressure) Notwithstanding anything herein to the contrary, Seller makes no guarantees as to pressure at point of delivery, except that it will take no action to willfully interfere with the pressure which is otherwise available in the Seller's water system at the point of delivery, unless such action may be due to emergency reasons or for purposes of repair or maintenance.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in three (3) counterparts, each of which shall constitute an original.

Seller: THE WATER BOARD OF THE CITY OF
BUCKHANNON

By

Its Chairmaand Mayor of

Title the City of Buc:khannon

Attest:

Secretary

Purchaser: ADRIAN PUBLIC SERVICE DISTRICT,
A PUBLIC CORPORATION

By Its Chairman

Margit Greenberg

Title

Attest:

Secretary

This contract is **approved on behalf of the Farmers Home Administration** this _____, day of

19

By

Title _____

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, entered into as of the 15th day of June, 1999, by and between **THE WATER BOARD OF THE CITY OF BUCKHANNON**, party of the first part, hereinafter referred to as "Seller", and **ADRIAN PUBLIC SERVICE DISTRICT**, a West Virginia public corporation, party of the second part, hereinafter referred to as "Purchaser",

WHEREAS, by Water Purchase Contract, dated September 12, 1991, the Water Board of the City of Buckhannon, as Seller, agreed to sell to Adrian Public Service District, a public corporation, as Purchaser, potable treated water meeting applicable purity standards of the Department of Health of the State of West Virginia in such quantity as may be required by the Purchaser not to exceed 5,000,000 gallons per month, upon the terms and conditions as set forth therein, subject to modification or alteration by mutual agreement of the parties; and,

WHEREAS, as a result of an increase in the number of customers of the Purchaser and a proposed expansion of its water distribution system, an increase in the maximum monthly gallonage set forth in said Water Purchase Contract is needed by the Purchaser to satisfy additional consumption of water by its customers; and,

WHEREAS, the Purchaser has requested the Seller to increase the maximum monthly gallonage available for purchase by the Purchaser under said Water Purchase Contract and the Seller has determined that sufficient capacity exists in its

water system to provide such an increased monthly gallonage amount which may be purchased by the Purchaser to an amount not to exceed 7,500,000 gallons per month; and,

WHEREAS, the Seller and the Purchaser desire to enter into this Supplemental Agreement to provide that said Water Purchase Contract, dated September 12, 1991, is amended so as to provide for said increased maximum monthly gallonage available for purchase by the Purchaser.

NOW, THEREFORE, THIS SUPPLEMENTAL AGREEMENT WITNESSETH:

It is agreed by and between the parties hereto as follows:

1. The Water Purchase Contract, by and between the Water Board of the City of Buckhannon, as Seller, and Adrian Public Service District, a public corporation, as Purchaser, bearing date of September 12, 1991, is hereby amended, effective as of the date hereof, to provide that the Seller shall furnish to the Purchaser at the point of delivery therein specified, during the term of the Water Purchase Contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the West Virginia Department of Health in such quantity as may be required by the Purchaser not to exceed 7,500,000 gallons per month.

2. In all other respects, the Water Purchase Contract, dated September 12, 1991, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this Supplemental Agreement to be

STATE OF WEST VIRGINIA,
COUNTY OF UPSHUR:

 jv,l /4 of Yd , a Notary Public in and for said County and State, do hereby certify that Don B. Killingsworth, who signed the foregoing Supplemental Agreement, bearing date the 1st day of June, 1999, as Chairman of Adrian Public Service District, a West Virginia public corporation, has this day, in my said County and State, before me, acknowledged the said writing to be the act and deed of said public corporation.

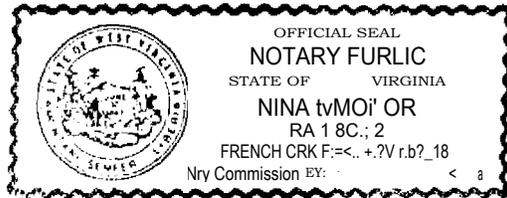
Given under my hand this _____ day of 7.16.e.,S 1999.

 Y

My commission expires:

Notary Public

 - / 10 V



ADRIAN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of Bank One, West Virginia, National Association, Buckhannon, West Virginia (the "Bank"), hereby certify that on February 18, 2004, the Bank received an automated transfer in the amount of \$268,700 to the credit of the Waterworks Project Construction Account, Account Number 625497870.

WITNESS my signature on this 18th day of February, 2004.

BANK ONE, WEST VIRGINIA,
NATIONAL ASSOCIATION

By: CLIV L. CLIV L. 1 C-14w.)
Its; Authorized Officer

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

815 QUARRIER STREET, SUITE 418

CHARLESTON, WEST VIRGINIA 25301-2616
TELEPHONE 304-558-2981

(Water)

PERMIT

PROJECT: Water Line Extensions

PERMIT NO.: 15,716

LOCATION: near Buckhannon

COUNTY: Upshur

DATE: 7-17-03

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

**Adrian Public Service District
Post Office Box 87
French Creek, West Virginia 26218**

COPY

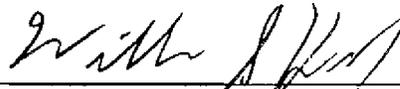
is hereby granted approval to: install approximately 33,100 LF of 8", 67,900 LF of 6", 11,100 LF of 4" and 7,700 LF of 2" water line; one (1) 50 G.P.M. duplex water booster station; renovation of an existing 90 G.P.M. constant pressure pump station to an 80 G.P.M. conventional booster station; one (1) 54,000 gallon water storage tank; one (1) 132,000 gallon water storage tank; two (2) pressure reducing stations; radio telemetry; and all necessary valves and appurtenances.

Facilities are to serve approximately 192 new customers in the Gould, Grand Camp, Big Bend Ridge, Natural Bridge, Evergreen, Alton, Beechtown Road, Frenchtown Road, Laurel Fork areas and along Route 11, Route 34 and Route 32 in the Adrian Public Service District.

Note: This permit is contingent upon: 1) All new water line and water storage tanks being flushed, disinfected and bacteriologically tested, prior to use; 2) Maintaining a minimum ten (10) feet horizontal separation between sewer and water lines and a minimum 18" vertical separation between crossing sewer and water lines with the water line above the sewer line; and 3) The new 54,000 gallon and 132,000 water storage tanks being enclosed by a minimum six (6) feet high fence with a locking gate.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR



William S. Herold, Jr., P.E., distant Manager
Infrastructure and development
Environmental Engineering Division

WSH:sec

pc: Hornor Brothers Engineers
James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, PSC
Upshur County Health Department
OEHS-EED Philippi District Office