

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

Date of Closing: August 22, 2002

BOND TRANSCRIPT

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Table of Contents

BASIC DOCUMENTS

1. Bond Resolution
2. 1970 Bond Resolution
3. 1971 Bond Resolution
4. Consent to Issuance of Parity Bonds
5. Public Service Commission Orders
6. United States Department of Agriculture Loan Resolution
7. Receipt for Bond
8. Specimen Bond

OPINIONS OF COUNSEL

9. Approving Opinion of Steptoe & Johnson PLLC, Bond Counsel
10. Opinion of Counsel to Issuer

CERTIFICATES

11. Combined Certificate of Issuer and Attorney
12. Engineer's Certificate
13. Certificate of Certified Public Accountant

DOCUMENTS OF THE ISSUER

14. County Commission Orders Regarding Creation and Enlargement of the District and Approval of Boardmembers
15. County Commission Orders of Appointment of Current Boardmembers
16. Oaths of Office of Current Boardmembers
17. Rules of Procedure
18. Affidavit of Publication on Borrowing
19. Minutes of Current Year Organizational Meeting
20. Excerpt of Minutes on Adoption of Rules of Procedure and Bond Resolution
21. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS

22. United States Department of Agriculture Letter of Conditions and Closing Instructions
23. United States Department of Agriculture Grant Agreement
24. Evidence of Grant from the West Virginia Infrastructure and Jobs Development Council
25. Receipt of Depository Bank

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BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Authority for This Resolution	1
Section 1.02	Findings and Determinations	1
Section 1.03	Bond Legislation Constitutes Contract	3
Section 1.04	Definitions	4
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT		
Section 2.01	Authorization of Acquisition and Construction of the Project	9
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS		
Section 3.01	Authorization of Bonds	10
Section 3.02	Description of Bonds	10
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds	10
Section 3.04	Bond Registrar	11
Section 3.05	Execution of Bonds	11
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	11
Section 3.07	Bonds Secured by Pledge of Net Revenues	12
Section 3.08	Form of Bond	12
	FORM OF BOND	13

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	19
Section 4.02	Bond Proceeds; Project Construction Account	19
Section 4.03	Covenants of the Issuer as to System Revenues and Funds	20
Section 4.04	Interim Construction Financing	24

ARTICLE V
GENERAL COVENANTS, ETC.

Section 5.01	General Statement	25
Section 5.02	Rates	25
Section 5.03	Sale of the System	25
Section 5.04	Issuance of Additional Parity Bonds or Obligations	25
Section 5.05	Insurance and Bonds	26
Section 5.06	Statutory Mortgage Lien	27
Section 5.07	Events of Default	28
Section 5.08	Enforcement	28
Section 5.09	Fiscal Year; Budget	28
Section 5.10	Compensation of Members of Governing Body	29
Section 5.11	Covenant to Proceed and Complete	29
Section 5.12	Books and Records; Audits	29
Section 5.13	Maintenance of System	29
Section 5.14	No Competition	29

ARTICLE VI
RATES, ETC.

Section 6.01	Initial Schedule of Rates and Charges; Rules	30
--------------	--	----

ARTICLE VII
MISCELLANEOUS

Section 7.01	Payment of Bonds	31
Section 7.02	Modification or Amendment	31
Section 7.03	Delivery of Bonds	31
Section 7.04	Severability of Invalid Provisions	31
Section 7.05	Conflicting Provisions Repealed	31
Section 7.06	Table of Contents and Headings	31
Section 7.07	Covenant of Due Procedure, Etc.	32
Section 7.08	Effective Time	32
	SIGNATURES	32
	CERTIFICATION	33

DANESE 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 DANESE PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$692,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2002 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 DANESE 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. Danese Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Fayette County of said State, duly created pursuant to the Act by The County Commission of Fayette 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 new public water distribution facilities in Fayette 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, 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 \$1,564,000, of which \$692,000 will be obtained from the proceeds of sale of the Series 2002 A Bonds herein authorized, \$300,000 will be obtained from a grant from the Purchaser, a subsequent RUS grant in the amount of \$72,000, and \$500,000 will be obtained from a grant from the West Virginia Infrastructure and Jobs Development Council.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), in the aggregate principal amount of \$692,000 (the "Series 2002 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 2002 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 2002 A Bonds as to liens, pledge and source of and security for payment, being the Water System Revenue Bonds, Series 1970, dated April 28, 1970, issued in the original aggregate principal amount of \$275,000 and the Water Revenue Bonds, Series 1971, dated December 8, 1971, issued in the original aggregate principal amount of \$73,000 (the "Prior Bonds"). 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 2002 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 2002 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated December 17, 1998, 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 2002 A Bonds, or will have so complied prior to issuance of the Series 2002 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 2002 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 2002 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 2002 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

"Commission" means the West Virginia Municipal Bond Commission, formerly known as the State Sinking Fund Commission, or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"Consulting Engineer" means Stafford Consultants, Inc., Princeton, 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 Branch Banking and Trust Company, Oak Hill, 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 Danese Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Fayette County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated December 17, 1998, 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 2002 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 Project and 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 Project and 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 into all funds and accounts have been made to the last monthly payment date prior to the date of such retention.

"Prior Bonds" means, collectively, the Water System Revenue Bonds, Series 1970, and Water Revenue Bonds, Series 1971, of the Issuer described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, respectively adopted April 28, 1970, authorizing the issuance of the Water System Revenue Bonds, Series 1970, and adopted December 8, 1971, authorizing the issuance of the Water Revenue Bonds, Series 1971.

"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 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 Owners," "Bondholders," "Holders of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolutions 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 2002 A Bonds" means the Water Revenue Bonds, Series 2002 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 \$1,564,000, 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 2002 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 2002 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2002 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of \$692,000, 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 2002 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 2002 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 2002 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 2002 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 2002 A Bonds, and the right to principal of and stated interest on the Series 2002 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 2002 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 2002 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 2002 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2002 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 2002 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2002 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 2002 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2002 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 2002 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 2002 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 2002 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 2002 A Bonds shall cease to be such officer of the Issuer before the Series 2002 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 2002 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 2002 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 2002 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2002 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 2002 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 2002 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 2002 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 2002 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)

DANESE PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2002 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$692,000

No. AR-1

Date: _____

FOR VALUE RECEIVED, DANESE 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 NINETY-TWO THOUSAND DOLLARS (\$692,000), 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 \$3,177, 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 Resolutions 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 _____, 2002, 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 FOLLOWING WATER REVENUE BONDS OF THE BORROWER:

(i) WATER SYSTEM REVENUE BONDS, SERIES 1970, DATED APRIL 28, 1970, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$275,000, AND DESCRIBED IN THE RESOLUTION; AND

(ii) WATER REVENUE BONDS, SERIES 1971, DATED DECEMBER 8, 1971, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$73,000, AND DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, DANESE 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.

DANESE PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

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

Danese, West Virginia 25831
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

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. A. 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 1970 Resolution); and
- (2) Project Construction Account.

B. Establishment of Funds and Accounts with Commission. The following special funds or accounts are 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 from each other:

- (1) Depreciation Reserve (established by the 1970 Resolution); and
- (2) Series 2002 A Bonds Reserve Account.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2002 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 2002 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 4.03. Covenants of the Issuer as to System Revenues and Funds.

So long as any of the Series 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2002 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2002 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 Resolutions 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 2002 A Bonds, transfer from the Revenue Fund and remit (i) to the Commission, the amounts required by the Prior Resolutions into the Series 1970 Sinking Fund and the Series 1971 Sinking Fund for payment of interest and principal of the Series 1970 Bonds and Series 1971 Bonds; and (ii) to the National Finance Office, the amounts required to pay the interest on the Series 2002 A Bonds and to amortize the principal of the Series 2002 A Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Prior

Bonds and the Series 2002 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 Commission for deposit into the Series 1970 Reserve Account and Series 1971 Reserve Account the amount required by the Prior Resolutions; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2002 A Bonds Reserve Account, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2002 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the Series 2002 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 2002 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2002 A Bonds, or for mandatory prepayment of the Series 2002 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2002 A Bond Reserve Account, so long as the Series 2002 A Bonds Reserve Requirement 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.

(4) The Issuer shall next on the first day of each month, transfer from the Revenue Fund and remit to the Commission for the deposit in the Depreciation Reserve (i) the amounts required by the Prior Resolutions; (ii) beginning on the date specified by the Purchaser, but in any event not later than the 12th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 2002 A Bonds are outstanding;

provided, however, that in the event Revenues are insufficient to fund the Series 2002 A Bonds Reserve Account in accordance with Section 4.04B above, or a withdrawal of funds from the Series 2002 A Bonds Reserve Account is made, payment of Revenues into the Renewal and Replacement Fund as provided in this Section 4.04B shall not be made, but instead Revenues shall be applied to the replenishment of the Series 2002 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Renewal and Replacement Fund as provided in this Section 4.04B shall resume. Monies in the Renewal and Replacement Fund shall be used first to make up any deficiencies for monthly payments of interest on and principal of the Series 2002 A Bonds as the same become due, and next to restore to the Series 2002 A Bonds Reserve Account any sum or sums transferred therefrom. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, monies in the Renewal and Replacement Fund 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 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 2002 A Bonds Reserve Account shall be sufficient to prepay the Series 2002 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2002 A Bonds 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 Series 2002 A Bonds Reserve Account and the ~~X~~ Depreciation Reserve as herein provided, and all amounts required for the Series 2002 A Bonds Reserve Account and the Series 2002 A 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.

The Revenue Fund, the Series 2002 A Bonds Reserve Account and the Series 2002 A 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 2002 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 2002 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission, at the direction of the Issuer, shall keep the monies in the Series 2002 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 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 2002 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Commission.

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 2002 A Bonds, provide evidence that there will be at least 538 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 and the Commission such additional sums as shall be necessary to pay the charges and fees of the Depository Bank or the Commission 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 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 Series 2002 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$692,000 (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 2002 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 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2002 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 2002 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 2002 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 2002 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 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.

The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds.

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 2002 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 2002 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.

(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 2002 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 2002 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 2002 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 2002 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 2002 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; provided that prior to the Purchaser taking any action regarding any security interest or the lien security the Series 2002 A Bonds, the Purchaser will provide written notification to GMAC Commercial Mortgage Corporation ("GMAC") at 200 Witmer Road, Horsham, PA 19044-8015, or any other address that GMAC may provide. The notice must contain a description of the event of default and actions intended to be taken as a result of such default.

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 2002 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 2002 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 June 6, 2002, Case No. 02-0059-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 2002 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2002 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 2002 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 2002 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 2002 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).

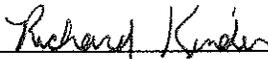
Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

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 20th day of August, 2002.

DANESE PUBLIC SERVICE DISTRICT



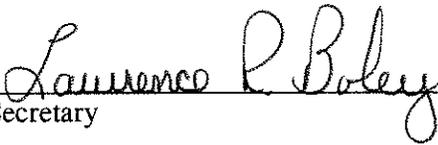
Chairman

CERTIFICATION

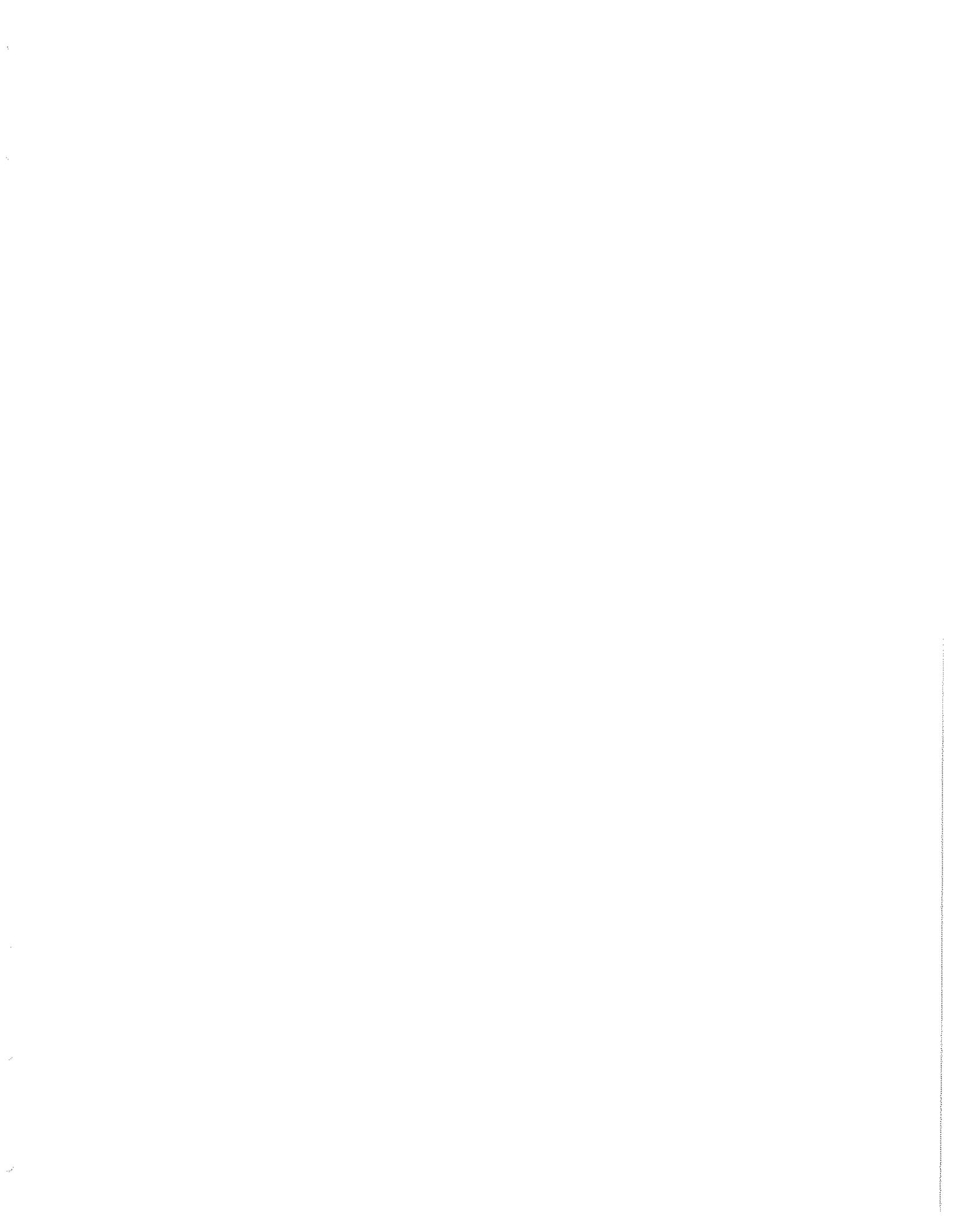
Certified a true copy of a Resolution duly adopted by the Public Service Board of DANESE PUBLIC SERVICE DISTRICT on the 20th day of August, 2002.

Dated: August 22, 2002.

[SEAL]


Secretary

08/15/02
210780.99001



DANESE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$275,000
WATER SYSTEM REVENUE BONDS OF DANESE PUBLIC
SERVICE DISTRICT TO FINANCE PART OF THE COSTS
OF CONSTRUCTION OF A WATERWORKS SYSTEM; DEFINING
AND PRESCRIBING THE TERMS AND PROVISIONS OF THE
BONDS; PROVIDING FOR THE FIXING, ESTABLISHING
AND COLLECTING OF RATES AND CHARGES FOR THE
SERVICES AND FACILITIES OF THE SYSTEM; PROVIDING
GENERALLY FOR THE RIGHTS AND REMEDIES AND SECUR-
ITIES OF THE HOLDERS OF THE BONDS AND FOR A
STATUTORY MORTGAGE LIEN UPON THE SYSTEM IN FAVOR
OF THE HOLDERS OF THE BONDS; AND PROVIDING WHEN
THIS RESOLUTION SHALL TAKE EFFECT.

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

ARTICLE I

STATUTORY AUTHORITY, FIND-
INGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of Article 13A, Chapter 16 of the West Virginia Code and other applicable provisions of law. Danese Public Service District is a public service district created pursuant to said Article 13A.

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

(A) Danese Public Service District (herein called the "District"), in Fayette County, State of West Virginia, does not now have any public waterworks system, and the inhabitants thereof urgently require such system.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the District, and, accordingly, it is hereby ordered, that there be constructed a complete new waterworks

system of the District consisting of water storage and distribution facilities with all necessary appurtenant facilities (hereinafter collectively called the "System"), particularly described in and according to the plans and specifications prepared by H. P. Thomas, Oak Hill, West Virginia (herein called the "Consulting Engineer"), and heretofore filed in the office of the Secretary of the District's Public Service Board (herein called the "Board").

(C) It is necessary for the District to issue its revenue bonds in the principal amount of \$275,000 to finance part of the cost of such construction in the manner hereinafter provided.

(D) The estimated maximum cost of the construction of the Project as hereinafter defined is \$533,000 of which \$275,000 will be obtained from the proceeds of the Bonds herein authorized, and the balance of \$258,000 from the proceeds of a Farmers Home Administration grant.

(E) The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or interest therein; interest on the 1970 Bonds prior to, during and for six 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 by this resolution.

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

(G) There are not outstanding any unpaid obligations of the District which will have priority over or rank on a parity with the Bonds authorized to be issued hereunder as to lien or source of and security for payment.

(H) The District has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the 1970 Bonds, or will have so complied prior to issuance of any of the 1970 Bonds including, among other things, the consent and approval pursuant to the Act, of the issuance of the 1970 Bonds by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Resolution to Constitute Contract.

In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this resolution shall be deemed to be and shall constitute a contract between the District and such Bondholders, and the covenants and agreements herein set forth to be performed by the District shall be for the equal benefit, protection and security of the legal holders of any and all such Bonds, and the coupons appertaining thereto, all which shall be of equal rank without preference, priority or distinction of any of the Bonds or coupons over any other thereof, except as expressly provided therein and herein.

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

"Act" means Article 13A, Chapter 16 of West Virginia Code.

"Board" means the Public Service Board of the District, the governing body of the District under the Act.

"Bonds" means the \$275,000 Water System Revenue Bonds, Series 1970, originally authorized to be issued pursuant to this resolution and shall also be deemed to include, where appropriate, the interest coupons attached to said Bonds; and also includes any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in this resolution, and the interest coupons appertaining to such additional parity Bonds.

"1970 Bonds" means the Bonds hereby authorized to be issued initially.

"Chairman" means the Chairman of the Board.

"Consulting Engineer" means H. P. Thomas, Oak Hill, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineer for the System.

"District" means Danese Public Service District, of Fayette County, West Virginia, and, where appropriate, also means the Public Service Board thereof.

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

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

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

"Herein" means in this resolution.

"Holder of the Bonds" or "Bondholder" or any similar term means any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to the bearer, or of any coupons representing interest accrued or to accrue on said Bonds.

"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 District 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 practices, 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.

"Original Purchaser" means the purchaser, directly from the District, of any series of Bonds issued pursuant hereto, or any part of such series.

"Project" means the initial System to be constructed as herein provided and financed in part with the proceeds of the 1970 Bonds as in this resolution provided, consisting of a complete public water system, including water storage and distribution facilities with necessary appurtenant facilities.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the District, or accrued to the District, 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 Board.

"System" means the complete waterworks system of the District, including all water facilities owned by the District and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the System; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the System after completion of the initial construction provided for herein.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS

Section 2.01. Authorization of Bonds. Subject and pursuant to the provisions of this resolution, Bonds of the District, to be known as "Water System Revenue Bonds, Series 1970" are hereby authorized to be issued in the aggregate principal amount of not exceeding Two Hundred Seventy-five Thousand Dollars (\$275,000) for the purpose of financing part of the cost of the construction and acquisition of the Project.

Section 2.02. Description of Bonds. The 1970 Bonds may be issued in coupon or single, fully registered form, and shall be dated on the date of delivery. The 1970 coupon Bonds shall be in the denomination of \$1,000 each, shall be numbered in order of maturity, lowest number first, and shall bear interest, payable annually on January 1 of each year, at the rate or rates of not to exceed the rate of five per centum (5%) per annum and a net interest cost of not to exceed the rate of five per centum (5%) per annum. The minimum price for the 1970 Bonds shall be the par value thereof. Coupon and single, fully registered 1970 Bonds shall be exchangeable and interchangeable at the expense of the holder on 90 days notice in writing to the District, provided that single, fully registered 1970 Bonds issued upon initial delivery of the 1970 Bonds by the District shall be exchanged for coupon Bonds at the expense of the District.

The 1970 Bonds shall mature serially in numerical order, lowest numbers first, on January 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 2,000	1986	\$ 5,000	1999	\$ 9,000
1974	2,000	1987	5,000	2000	9,000
1975	3,000	1988	6,000	2001	10,000
1976	3,000	1989	6,000	2002	10,000
1977	3,000	1990	6,000	2003	11,000
1978	3,000	1991	6,000	2004	11,000
1979	3,000	1992	7,000	2005	12,000
1980	4,000	1993	7,000	2006	13,000
1981	4,000	1994	7,000	2007	14,000
1982	4,000	1995	7,000	2008	14,000
1983	4,000	1996	8,000	2009	15,000
1984	5,000	1997	8,000	2010	16,000
1985	5,000	1998	8,000		

The 1970 Bonds shall be redeemable prior to their respective stated dates of maturity at the option of the District, in whole or in part, in inverse numerical order on January 1, 1981, and on any January 1 thereafter at the price of the par value thereof and accrued interest to the date of redemption, subject to earlier redemption as provided in Section 3.01 hereof upon completion of the Project.

Notice of the redemption of any of the Bonds shall be published at least once not less than thirty nor more than sixty days prior to the date of redemption in a financial newspaper published in the City of New York, New York, and notice of any such redemption shall be sent by registered or certified mail to the holders of registered Bonds. If all Bonds to be redeemed are registered other than to bearer, no publication of such redemption need be made. Interest shall cease upon any of the Bonds so called for prior redemption on the date fixed for redemption, provided payment thereof has been duly made or provided for.

The 1970 Bonds shall be payable with respect to both principal and interest in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or at First National City Bank, New York, New York, at the option of the holder unless otherwise provided in and for the single, fully registered

Bonds, and shall bear interest from their date, payable in accordance with and, as to coupon Bonds not registered as to interest, upon the surrender of the appurtenant interest coupons as they severally mature.

Section 2.03. Execution of Bonds and Coupons. The Bonds shall be executed in the name of the District 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 any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bond such person may not have held such office or may not have been so authorized.

The coupons to be attached to the Bonds shall be authenticated with the facsimile signatures of the present or any future Chairman and Secretary, and the District may adopt and use for that purpose the facsimile signature of any person who shall have been such Chairman or Secretary at the time when said Bonds shall be actually sold and delivered.

Section 2.04. Negotiability and Registration. The coupon Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of West Virginia and shall pass by delivery except when registered. The 1970 coupon Bonds may be converted into

Bonds registered as to both principal and interest in accordance with the provisions of the forms hereinafter provided.

Section 2.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond with all unmatured coupons attached of like tenor as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may require. All Bonds and coupons so surrendered shall be canceled and held for the account of the District. If any such Bond or coupon shall have matured or be about to mature, instead of issuing a substitute Bond or coupon, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond or coupon be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bonds and coupon issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the District, whether or not the destroyed, stolen or lost Bonds or coupons be at any time found by anyone, and such duplicate Bonds and coupons shall be entitled to equal and proportionate benefits with all other Bonds and coupons issued hereunder.

Section 2.06. Bonds Secured by Pledge of Revenues.
The payment of the debt service of all the Bonds shall be

secured forthwith equally and ratably 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 Bonds, and to make the payments into the Sinking Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 2.07. Form of Bonds and Coupons. Subject to the provisions of this resolution, the text of the 1970 Bonds, the provisions for registration to be endorsed thereon, the coupons, the single 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 by this resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Coupon Bonds)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1970

No.

\$1,000

DANESE PUBLIC SERVICE DISTRICT, a public service district in the County of Fayette, State of West Virginia, and a public corporation and political subdivision of the State of West Virginia (herein called the "District"), for value received, hereby promises to pay to the bearer, or, if this Bond be registered, to the registered holder as herein provided, on the first day of January, , from the revenues hereinafter mentioned, the principal sum of

ONE THOUSAND DOLLARS

with interest thereon at the rate of _____ per centum (%) per annum, payable on the first day of January of each year, upon the presentation and surrender of the annexed coupons as they severally fall due, unless this Bond be converted into a Bond registered as to both principal and interest. Both principal of and interest on this Bond are payable in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York.

The Bonds of the issue of which this Bond is one may be redeemed prior to their stated maturities, without premium, at the option of the District as a whole, or in part in inverse numerical order, on any January 1 beginning January 1, 1981, as provided in the resolution hereinafter mentioned, subject to earlier redemption from moneys in the

Project Construction Account as provided in said resolution. Notice of any such redemption shall be published at least once not less than thirty nor more than sixty days prior to the redemption date in a financial newspaper published in the City of New York, New York. Interest shall cease upon this Bond after the date fixed for redemption if it shall be duly called for prior redemption and payment thereof duly provided for.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of Two Hundred Seventy-Five Thousand Dollars (\$275,000) of like date, tenor and effect, except as to number* and date of maturity issued to finance part of the cost of the construction of a waterworks system of the District under the authority of and in full compliance with the Constitution and Statutes of the State of West Virginia, including particularly Article 13A, Chapter 16 of the West Virginia Code (herein called the "Act") and other applicable statutes, and a resolution duly adopted by the Public Service Board of the District.

This Bond and the coupons appertaining hereto are payable solely from, and secured by a first lien on and pledge of, the net revenues derived from the operation of said waterworks system, with monthly payments from such revenues to be made into the Sinking Fund with the State Sinking Fund Commission for payment of the principal hereof and interest hereon, in the manner provided in said resolution, and do not and shall not in any event constitute an indebtedness of the District within the meaning of any constitutional or statutory limitations, and the District shall never be obligated to pay this Bond or the interest hereon except from the revenues of said waterworks system, as provided in said resolution. The District covenants

* add, "interest rate" if more than one rate

with the holders of the Bonds of the issue of which this Bond is one to establish and at all times maintain such rates and collect such charges for the services and facilities of said waterworks system, and to revise the same from time to time, whenever necessary, as will always provide revenues in each fiscal year sufficient to make the required payments into the Sinking Fund and the reserves and accounts as provided in said resolution and to pay all necessary expenses of operating and maintaining the said waterworks system during such fiscal year, and the District has entered into certain other covenants with the holders of the Bonds of the issue of which this Bond is one, for the terms of which reference is made to said resolution.

Additional Bonds on a parity with this Bond and the Bonds of the issue of which this Bond is one, as to lien and source of and security for payment, may be issued under the provisions and restrictions contained in said resolution.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in regular and due form, time and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Bond and of the issue of Bonds of which this Bond is one is not in violation of any constitutional or statutory limitation of indebtedness.

This Bond, under the provisions of the Act, is, and has all the qualities and incidents of, a negotiable instrument.

This Bond and the interest hereon are exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by the Chairman of its Public
Service Board and its corporate seal to be affixed hereto
and attested by the Secretary of said Board, and the annexed
coupons to be executed with the facsimile signatures of said
Chairman and said Secretary, all as of the _____ day of
_____, 1970.

DANESE PUBLIC SERVICE DISTRICT

By _____
Chairman of its Public
Service Board

ATTEST:

(SEAL)

Secretary of its Public Service Board

(Form of Coupon)

\$

On the first day of January, 19 , unless the Bond to which this coupon was originally attached shall have been callable and duly called for prior redemption and payment of the redemption price duly made or provided for, Danese Public Service District, in Fayette County, West Virginia, will pay to the bearer at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York, solely from the revenues described in the Bond to which this coupon is attached, the sum shown hereon in lawful money of the United States of America, upon presentation and surrender of this coupon, being the interest then due on its Water System Revenue Bond, Series 1970, No. .

DANESE PUBLIC SERVICE DISTRICT

By (facsimile signature)
Chairman, Public Service Board

ATTEST:

(facsimile signature)
Secretary, Public Service Board

CERTIFICATE OF CONVERSION

It is hereby certified over my signature and the official seal of the issuing Public Service District that upon the presentation of the within bond with a written request by the holder thereof for its conversion into a bond registered as to both principal and interest, there have been this day cut off and destroyed _____ interest coupons attached thereto, of the amount and value of _____ each, being all the coupons for interest on the within Bond payable after the date of this certificate, and that the interest at the rate and on the dates stated in the within bond and as was provided by the coupons, as well as the principal, is to be paid to the registered holder hereof, his legal representatives, successors or transferees, at the place stated in the within bond and as was stated in the coupons. The principal of and interest on this Bond shall be payable only to the registered holder hereof named in the registration blank below, or his legal representative, and this Bond shall be transferable only on the books of the registrar kept in the office of the undersigned, and by an appropriate notation in such registration blank. When registered the registrar shall treat the registered owner as the person exclusively entitled to payment of interest and the exercise of all other rights and powers of the owner prior to due presentment for registration of transfer.

Dated: _____, 19____.

_____, Registrar

(SEAL OF PUBLIC SERVICE DISTRICT)

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasure of Public Service District as Registra</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Form of Single Bond)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1970

No. R-1

\$275,000

DANESE PUBLIC SERVICE DISTRICT, a public service district (herein sometimes called the "District") in the County of Fayette, State of West Virginia, a lawfully created and existing public corporation and political subdivision of the State of West Virginia, for value received, hereby promises to pay to the Registered Holder of this Bond the principal sum of Two Hundred Seventy-Five Thousand Dollars (\$275,000), on the first day of January in years and installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 2,000	1986	\$ 5,000	1999	\$ 9,000
1974	2,000	1987	5,000	2000	9,000
1975	3,000	1988	6,000	2001	10,000
1976	3,000	1989	6,000	2002	10,000
1977	3,000	1990	6,000	2003	11,000
1978	3,000	1991	6,000	2004	11,000
1979	3,000	1992	7,000	2005	12,000
1980	4,000	1993	7,000	2006	13,000
1981	4,000	1994	7,000	2007	14,000
1982	4,000	1995	7,000	2008	14,000
1983	4,000	1996	8,000	2009	15,000
1984	5,000	1997	8,000	2010	16,000
1985	5,000	1998	8,000		

and to pay interest from the date hereof on the balance of said principal sum from time to time remaining unpaid at the rate of 5% per annum on January 1 of each year, commencing January 1, 1971 until the principal amount hereof has been paid, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America. Payments of the installments of principal hereof and interest hereon shall be made to the registered holder hereof at the address shown on the books of the Registrar. Payments of installments

hereof, including prepayments of installments, shall fully discharge the obligation of the District herein to the extent of the payments so made. Upon payment in full of the principal hereof and interest thereon, this Bond shall be surrendered to the District for cancellation.

This Bond, designated the "Danese Public Service District Water System Revenue Bond, Series 1970" (herein called the "Bond"), representing this entire issue of Danese Public Service District Water System Revenue Bonds, Series 1970, together with any additional bonds ranking on a parity herewith which may be issued and outstanding under the provisions, conditions and restrictions set forth in a Resolution duly adopted by the Public Service Board of the District for the purpose of providing funds for financing part of the costs of construction and acquisition of a waterworks system of the District, is payable only from the revenues to be derived from the operation of the waterworks system after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks system (such revenues being herein referred to as "Net Operating Income"). A sufficient portion of the Net Operating Income has been ordered set aside in the Sinking Fund established by the Resolution and pledged for that purpose. This Bond does not in any manner constitute an indebtedness of the District within the meaning of any constitutional or statutory limitation. The District covenants that it will fix such rates and charges for the services of its waterworks system and collect and account for revenues therefrom sufficient to pay promptly all costs of operation and maintenance thereof and the principal of and interest on this Bond as the same shall become due and to make the required payments into other funds, accounts and reserves as provided in the Resolution.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

As provided in the Resolution, this Bond is exchangeable at any time, upon ninety days' notice, at the request of the Registered Holder hereof and upon surrender of this Bond to the District, for negotiable coupon Bonds, payable to bearer, convertible into bonds registered as to principal and interest, in an aggregate principal amount equal to the unpaid principal amount of this Bond, and in the form of coupon Bond provided in the Resolution.

Prepayment Provisions: In addition to the installments of principal and interest required to be paid by the District as hereinabove set forth, the District shall have the right to prepay on January 1, 1981, and on any January 1 thereafter, the entire principal amount hereof then remaining unpaid, or such lesser portion thereof as it may determine upon, in inverse chronological order of installments and in multiples of \$1,000 plus accrued interest on the amount of the principal prepayment to the date of prepayment.

Notice of any such optional prepayment shall be given by the District at least thirty days prior to the prepayment date by sending by registered or certified mail to the Registered Holder hereof a notice fixing such prepayment date and the amount to be prepaid.

A statutory mortgage lien upon the waterworks system of the District is created by the Act in favor of the Registered Holder of this Bond, which lien is hereby recognized as valid and binding and shall remain in effect until the payment in full of the principal of and interest on this Bond.

This Bond is exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

This Bond may be assigned, and upon such assignment the assignor shall promptly notify the District by registered mail and the assignee shall present the same to the District for appropriate change in registration subject to verification of the portion of the principal amount hereof and interest hereon paid or prepaid, and every such assignee shall take this Bond subject to such conditions.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, that the amount of this Bond, together with all other obligations of the District, does not exceed any limits prescribed by the Constitution and statutes of the State of West Virginia, and that a sufficient portion of the Net Operating Income of the waterworks system of the District has been pledged to and will be set aside into the Sinking Fund for the prompt payment of the installments of the principal of and interest on this Bond.

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereto affixed and attested by the Secretary of said Board, all as of the _____ day of _____, 1970.

DANESE PUBLIC SERVICE DISTRICT

(CORPORATE SEAL)

By ~~Chairman of its Public~~
Service Board

(ATTEST:

Secretary of its Public Service Board

This Bond is registered as follows:

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasure of Public Service District as Registra</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

ARTICLE III
BOND PROCEEDS; REVENUES AND
APPLICATION THEREOF

Section 3.01. Bond Proceeds; Project Construction Account. All moneys received from the sale of any or all the 1970 Bonds and the proceeds of the aforesaid Federal grant shall be deposited on receipt by the District in

West Virginia, a member of Federal Deposit Insurance Corporation, in a special account heretofore created and designated as "Danese Public Service District Construction Account" (herein called the "Project Construction Account".) The moneys in the Project Construction Account in excess of the amount insured by the Federal Deposit Insurance Corporation 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 District solely for the purposes provided in this resolution.

Moneys received upon delivery of the 1970 Bonds representing accrued interest will be immediately transferred to and deposited in the Sinking Fund.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and deposit in the Sinking Fund, not later than fifteen days prior to the next interest payment date, such sums as shall be from time to time required to pay the interest becoming due on the Bonds on such interest payment date.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the District may invest such excess funds in direct obligations of, or obligations the principal of and

interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When 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 first be used to refund promptly any overpayment made with respect to the aforesaid Federal grant, and any moneys then remaining in the Project Construction Account shall be promptly used to redeem or prepay the latest maturing 1970 Bonds and any residue shall be deposited in the Sinking Fund.

Section 3.02. Covenants of the District as to 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 Sinking Fund and Reserve Account therein, hereinafter established, a sum sufficient to pay, when due or at the earliest practical redemption date, the entire principal of the Bonds remaining unpaid together with interest accrued and to accrue thereon, the District further covenants with the holders of any and all Bonds issued pursuant to this resolution 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 District in a special fund in a bank or trust company in the State of West Virginia which is a member of the Federal Deposit Insurance Corporation, which Fund (herein called the "Revenue Fund") is hereby established initially with said

The Revenue Fund shall constitute a trust fund for the purposes provided in this resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this resolution.

(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:

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

(2) The District shall next, before the end of each month, transfer from the Revenue Fund and remit to the State Sinking Fund Commission, for deposit into the "Sinking Fund", which is hereby established with the State Sinking Fund Commission, one-twelfth of the amount required to pay the interest becoming due on the Bonds on the next interest payment date and, commencing with the month of January, 1972, one-twelfth of the amount of principal maturing on the next Bond principal maturity date.

The District shall also remit to the State Sinking Fund Commission, from time to time, such amounts as shall be required to pay the fiscal charges due to paying agents for paying the Bonds and the interest thereon.

(3) The District shall next, each month, transfer from the Revenue Fund and remit to the State Sinking Fund Commission, for deposit into the Reserve Account, hereby established in the Sinking Fund, one-twelfth of one-tenth of the maximum annual aggregate amount of interest and principal which will fall due on the Bonds outstanding until the amount in the Reserve Account equals such maximum annual aggregate amount of interest and principal. After such amount has been accumulated in the Reserve Account, the District shall monthly remit to the State Sinking Fund Commission such part of the moneys remaining in the Revenue Fund, after such provision for payment of maturing principal of and interest on the Bonds, as shall be required to maintain such amount in the Reserve Account. Moneys in the Reserve Account shall be used solely to make up any deficiency in the Sinking Fund for payment of the principal of and interest on the Bonds as the same shall mature or for mandatory redemption of Bonds as hereinafter provided and for no other purpose.

(4) The District shall next, each month, transfer from the Revenue Fund and remit to the State Sinking Fund Commission the moneys remaining in the Revenue Fund and not permitted to be retained therein, for deposit in the Depreciation Reserve, hereby established with the State Sinking Fund Commission, until there has been accumulated therein the sum of \$15,000 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 in the Sinking Fund for payment of principal of and interest on the Bonds as the same mature, and next to restore to the Reserve Account any sum or sums transferred therefrom to the Sinking Fund. Thereafter, and provided that payments into the Sinking Fund and the Reserve Account therein are current and in

accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the District and used for extensions, replacements and improvements of the System, or any part thereof.

(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 redeem Bonds outstanding or for any lawful purpose, the State Sinking Fund Commission to handle redemptions of Bonds.

Whenever the moneys in the Sinking Fund and in the Reserve Account therein shall be sufficient to purchase or redeem all Bonds outstanding, it shall be the mandatory duty of the District, anything to the contrary in this resolution notwithstanding, to direct the State Sinking Fund Commission to purchase or redeem all outstanding Bonds at the earliest practical date and in accordance with applicable provisions hereof, any such purchase to be at a price or prices not exceeding the then market price of Bonds so purchased, but in no event exceeding the then redemption price of the Bonds.

The State Sinking Fund Commission is hereby designated as the Fiscal Agent for the administration of the Sinking Fund, the Reserve Account and the Depreciation Reserve as herein provided, and all amounts required therefor will be remitted to the State Sinking Fund Commission from the Revenue Fund by the District at the times provided herein, together with written advice stating the amount remitted for deposit into each such account.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the

Bondholders shall have a lien thereon for further securing payment of the Bonds and the interest thereon. The moneys in excess of the sum insured by the Federal Deposit Insurance Corporation in the Revenue Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of State and municipal funds under the laws of the State of West Virginia.

If on any payment date the revenues are insufficient to place the required amount in any of the funds or accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to those which would otherwise be required to be made into the funds or accounts on the subsequent payment dates.

The State Sinking Fund Commission shall keep the moneys in the Sinking Fund, the Reserve Account and the Depreciation Reserve invested and reinvested to the fullest extent practicable in direct obligations of, or obligations the payment of the principal of and interest on which are guaranteed by, the United States of America and having maturities not exceeding two years.

(c) Initial Deposits in Revenue Fund and Reserve Account. Prior to issuance of the 1970 Bonds, the District shall collect tap fees from at least 266 prospective customers, in the aggregate sum of \$5,320, which will be used to establish the Revenue Fund.

ARTICLE IV
GENERAL COVENANTS

Section 4.01. General Statement. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund and the Reserve Account therein a sum sufficient to pay when due, or redeem or purchase prior to maturity, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon and any applicable redemption premiums, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the District and the Bondholders.

Section 4.02. Rates. The District 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 average annual debt service on all Bonds outstanding and to make the payments required herein into the Sinking Fund, the Reserve Account 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 4.03. Sale of the System. The System may be sold, mortgaged, leased, or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully

to pay all the Bonds and the interest thereon as herein provided. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the State Sinking Fund Commission and the District shall direct said Commission to apply such proceeds to the payment of principal and interest of the Bonds at the redemption price, as herein provided, or upon purchase at the then current market price not exceeding the par value thereof plus accrued interest to the date of purchase. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the District by the State Sinking Fund Commission unless necessary for the payment of other obligations issued by the District and payable out of the revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof, provided that the net book value thereof does not exceed \$5,000. Prior to any such sale, lease or other disposition of said property, the general manager or other duly authorized officer in charge of the System shall make a finding in writing, concurred in by resolution of the Board, determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and such proceeds shall be deposited in the Depreciation Reserve.

Payments of such proceeds into the Depreciation Reserve shall not reduce the amounts required to be paid into the Depreciation Reserve by other provisions of this resolution.

7

Section 4.04. Covenant Against Encumbrances. The District shall not issue any obligations whatsoever, except additional parity Bonds hereinafter provided for, payable from the revenues of the System which rank prior to or equally as to lien on and source of and security for payment from such revenues with the Bonds; and all obligations hereafter issued by the District payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues, and in all other respects, to the Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge, having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged as security therefor in this resolution, or upon the System, or any part thereof.

Section 4.05. Issuance of Additional Parity Bonds. No additional parity Bonds, as in this Section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this resolution, except under the conditions and in the manner herein provided.

(A) No such additional parity Bonds shall be issued except for the purposes of financing the costs of the construction or acquisition of extensions, additions and improvements to the System or refunding Bonds issued hereunder, except as provided in subsection (G) of this Section.

(B) No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written certification by a certified public accountant not in the regular employ of the District, based upon the necessary investigation, reciting the conclusion that the net revenues, as defined herein and adjusted as provided below, actually derived from the System during the fiscal year immediately preceding the date of the issuance of such additional parity Bonds, shall have been not less than one hundred twenty per centum (120%) of the average aggregate amount which will mature or become due in any succeeding fiscal year for principal of and interest on the Bonds originally issued pursuant to this resolution then outstanding, and on any additional parity Bonds theretofore issued pursuant to the provisions contained in this resolution then outstanding, and on the additional parity Bonds then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing 75% of each Series of the then outstanding Bonds issued pursuant hereto.

(C) Prior to the issuance of any such additional parity Bonds, the District shall have entered into written contracts for the immediate acquisition or construction of such additions, extensions or improvements to the System which are to be financed by such additional parity Bonds.

(D) The term "additional parity Bonds", as used in this Section, shall be deemed to mean additional Bonds issued under the provisions and within the limitations of this Section, payable from the revenues of the System on a parity with Bonds originally authorized and issued pursuant to this resolution, and all the covenants and other provisions of this resolution (except as to details of such additional

parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the holders of any Bonds originally authorized and issued pursuant to this resolution and the holders of any additional parity Bonds subsequently issued within the limitations of and in compliance with this Section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System, and their source of and security for payment from said revenues, without preference of any Bond or coupon over any other. The District shall comply fully with all the increased payments into the various funds created in this resolution required for such additional parity Bonds, in addition to the payments required for Bonds originally issued hereunder. Redemption of Bonds prior to maturity, in the event that Bonds originally issued hereunder and additional parity Bonds hereby authorized are outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each issue.

(E) All additional parity Bonds issued pursuant to this Section shall mature on January 1 of each year of maturity, and the interest thereon shall be payable January 1 of each year.

(F) No additional parity Bonds shall be issued at any time unless all the payments into the respective Funds provided for in this resolution on Bonds then outstanding and all other payments provided for in this resolution shall have been made or paid up as required to the date of issuance of the additional parity Bonds and the District shall have fully complied with all the covenants, agreements and terms of this resolution or shall have remedied any deficiency in such compliance.

(G) With the written consent in advance of the original purchaser of the Bonds originally authorized by this resolution and anything to the contrary in subsections (A), (B) and (C) of this Section notwithstanding, additional parity Bonds may be authorized and issued by the District pursuant to supplemental resolution in the event that the Bonds hereby originally authorized and issued should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Project. Any such additional parity Bonds authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such additional parity Bonds shall be in years and amounts suggested by said original purchaser.

Section 4.06. Insurance and Bonds. The District hereby covenants and agrees that so long as any of the Bonds remain outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain 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, on all above-ground insurable portions of the System, excluding water storage facilities, in an amount equal to the actual cost thereof. In the event of any damage to or destruction of any portion of the System, the District will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The District will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the District during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than \$100,000 for one person and \$300,000 for more than one person injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than \$50,000 from claims for damage to property of others which may arise from the District's operation of the System, such insurance to be procured at the commencement of construction of the Project.

(c) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District, with limits of not less than \$100,000 for one person and \$300,000 for more than one person injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than \$50,000 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.

(d) Workmen's 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 contractor and subcontractor, and such payment bonds will be filed with the Clerk of the County Court of County named above prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(e) Fidelity Bonds will be provided as to every member of the Board and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the District 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 \$20,000, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned.

(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 Government holds any of the Bonds, the District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 4.07. Statutory Mortgage. For the further protection of the holders of the Bonds and the coupons appertaining thereto, 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 any of the Bonds.

Section 4.08. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of the principal, and, if any premium be due, of such premium, of any of the Bonds either at the date therein specified for their payment or by proceedings for redemption or otherwise;

(B) Failure to make payment of any installment of interest due on any of the Bonds on the date specified for the payment of such interest;

(C) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on

the part of the District in the Bonds or in this resolution, or violation of or failure to observe any provision of any pertinent law, provided any such failure or violation, excluding those covered in (A) and (B) above in this Section, shall continue for a period of thirty days after written notice shall have been given to the District by any Bondholder specifying such failure or violation and requiring the same to be remedied.

Section 4.09. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, any Bondholder may proceed to protect and enforce the rights of the Bondholders 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 such Bondholder, such court may, upon proof of such default, appoint a receiver for the affairs of the District and the System. The receiver so appointed shall administer the System on behalf of the District, shall exercise all the rights and powers of the District with respect to its 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 4.10. No Priority Between Bonds. The Bonds shall not be entitled to priority one over the other in the application of the revenues of the System or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds, regardless of the fact that they may be actually issued and delivered at different times.

Section 4.11. Fiscal Year; Budget. While any 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 forty-five days prior to the beginning of each fiscal year, the District 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 Board. Copies of each Annual Budget shall be mailed to the Government, to the original purchaser of the Bonds and to those Bondholders who shall have filed their names and addresses with the Secretary of the Board for such purpose.

If for any reason the District 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 ten per centum; 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 District. Each such Budget of Current Expenses shall be mailed immediately as in the case of the Annual Budget.

Section 4.12. Compensation of Board Members. The District hereby covenants and agrees that no compensation for policy direction shall be paid to the members of its

Board in excess of the amount permitted by the Act. Payment of any compensation to any member of the Board for policy direction shall not be made if such payment would cause the Net Operating Income 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 of this resolution.

Section 4.13. Covenant to Proceed. The District hereby covenants to proceed as promptly as possible with the construction of the Project in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary of the Board on the date of adoption of this resolution.

Section 4.14. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any holder of a Bond or Bonds, his agents and representatives, shall have the right at all reasonable times to inspect the System and all records, accounts and data of the District relating thereto.

The District 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, shall mail a copy of such audit report to the Government and the original purchaser of the Bonds, and shall make available the report of said accountants at all reasonable times to any holder or holders of the Bonds, or any customer receiving services from the System, or anyone acting for and in behalf of such Bondholder, Bondholders or customer.

Section 4.15. Maintenance of System. The District 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 any of the Bonds are outstanding.

ARTICLE V
RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System shall be as follows:

AVAILABILITY OF SERVICE

Available for all domestic, commercial, institutional and industrial consumers within the District's service area.

WATER RATES AND MINIMUM CHARGES

<u>Gallons per Month</u>	<u>Monthly Charge per 1000 Gallons</u>
First 3,000	\$ 2.33
Next 7,000	1.60
Next 10,000	1.20
All Over 20,000	.90

MINIMUM MONTHLY CHARGES AND TAP FEES

<u>Meter Size (Inches)</u>	<u>Monthly Minimum Charge</u>
5/8 x 3/4	\$ 7.00
3/4	10.80
1	18.00
1 1/4	29.20
1 1/2	40.40
2	71.70
3	161.30
4	286.80

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. When such fees, rates and charges have been delinquent for thirty days, the District shall have power forthwith to foreclose the lien on the

premises served in the same manner provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

D. The District 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 District 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 District 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. No allowance or adjustment in any bill for use of the services and facilities of the System shall be made for any leakage occurring on the customer's side of any water meter.

G. The District shall not be liable to any customer for any damage resulting from bursting or breakage of any line, main, pipe, valve, equipment or part or from discontinuance of the operation of any part of the System or from failure of any part thereof for any cause whatsoever.

H. In case of emergency, the District shall have the right to restrict the use of any part of the System in

any reasonable manner for the protection of the System and the inhabitants of the District.

In addition, the following shall constitute a part of the above rates:

DELAYED PAYMENT PENALTY

The above rates are net. On all accounts not paid in full within ten (10) days after date of billing, ten percent (10%) will be added to the net amount of the bill.

If any bill is not paid within thirty (30) days of the date thereof, the bill will be considered delinquent and subject to disconnection. However, service shall not be disconnected to any customer for nonpayment of bill without first having diligently tried to induce the customer to pay the same and until after at least twenty-four (24) hours written notice to the customer. Service shall not be restored until all amounts in arrears, including accrued penalties, plus a reconnection fee of \$5.00 have been paid.

MULTIPLE OCCUPANCY

On apartment buildings, or other multiple occupancy buildings, or house trailer courts or parks, each unit shall be required to pay not less than the minimum monthly charge herein established. Motels and hotels shall be exempt from this charge.

CONNECTION FEE

A connection fee will be charged according to the following schedule:

	<u>Before Loan Closing</u>	<u>After Loan Closing</u>
5/8 inch x 3/4 inch meter	\$ 20.00	\$ 100.00
3/4 inch meter	30.00	100.00
1 inch meter	50.00	100.00
1 1/4 inch meter	80.00	100.00
1 1/2 inch meter or larger	100.00	100.00

I. The fees, rates and charges above provided will be increased whenever such increase is necessary in order to comply fully with all provisions of this resolution and the District shall always be obligated to and shall fix, establish and collect fees, rates and charges for the services and facilities of the System which shall at all times be sufficient to provide net revenues to meet its obligations hereunder, but not less than 110% of the average annual debt service on all Bonds outstanding.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bonds, the District shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter, shall file such a Financing Statement in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Court of Fayette County. Thereafter, the Chairman of the Board shall file such Continuation Statements and other documents as may be necessary to maintain the security interest created hereby.

Section 6.02. Modification or Amendment. No material modification or amendment of this resolution, or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the holders of two-thirds or more in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of any of the Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation, or affecting the unconditional promise of the District to pay the principal of and interest on the Bonds as the same shall become due from the revenues of the System, without the consent of the holders of such Bonds. Notwithstanding the above, no amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications and for consent of 75% of the holders of each Series of Bonds outstanding to waiver or modification of the limitation upon issuance of additional parity Bonds contained in Section 4.05B.

Section 6.03. Sale of Bonds. The Secretary of the Board is hereby authorized and directed to cause notice for bids for the purchase of the 1970 Bonds to be published at least twice, the second publication to be not less than fifteen days prior to the date fixed for the receipt of bids, in a newspaper published and of general circulation in Fayette County with at least one week intervening between publications, by additional publication at least once in a newspaper having state-wide circulation at least twenty days prior to the date fixed for the receipt of bids and by mailing copies of the Official Notice of Sale, at least twenty days prior to the date fixed for the receipt of bids, to all area banks having municipal bond departments and all area investment banking firms and all other parties in the area that, in the information of said Secretary, might be interested in the issue.

Section 6.04. Refunding of Bonds Permitted. The District reserves the right to refund the Bonds when in its judgment it would be to the best interests of the District and of its inhabitants so to do. Upon payment of all the Bonds outstanding, prior to or simultaneously with the issuance of any refunding bonds or of an issue of bonds for the purposes of refunding the Bonds then outstanding and providing funds for additions, extensions and improvements to the System, or upon provision for such payment by deposit irrevocably in trust, with the State Sinking Fund Commission of West Virginia, of a sum equal to the principal amount of the Bonds outstanding, plus an amount equal to all interest accrued and to accrue to the date of payment or redemption of such Bonds, and plus an amount sufficient to pay all applicable redemption premiums on the earliest practicable redemption date, the security,

pledge and any lien applicable to the Bonds then outstanding shall immediately cease and determine. The sum so deposited in trust shall be used solely to pay at the earliest practical redemption date the principal amount of the Bonds and all interest thereon to the date of redemption and any applicable redemption premiums, or to purchase Bonds at not to exceed the par value of the Bonds plus interest accrued to date of purchase. The moneys so deposited may be invested by the State Sinking Fund Commission in direct obligations of the United States of America or obligations the payment of the principal of and interest on which is guaranteed by the United States of America, having maturities not later than the dates on which the moneys shall be required to be used for such redemption.

Section 6.05. Severability of Invalid Provision.

If any one or more of the covenants, agreements or provisions of this resolution 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 separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this resolution or the Bonds or coupons appertaining thereto.

Section 6.06. Conflicting Provisions Repealed.

All resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflicts, hereby repealed.

Section 6.07. 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 6.08. Effective Time. This resolution shall take effect immediately upon its adoption.

Adopted _____, 1970.

Chairman of Public Service Board

Member

Member

DANESE PUBLIC SERVICE DISTRICT

RESOLUTION ORDERING AND AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONAL WATER FACILITIES OF DANESE PUBLIC SERVICE DISTRICT AND THE ISSUANCE OF WATER REVENUE BONDS, SERIES 1971, ON A PARITY WITH THE WATER REVENUE BONDS OF THE DISTRICT DATED APRIL 28, 1970

WHEREAS, Danese Public Service District in Fayette County, West Virginia, has heretofore been duly created and is now organized and operating as a public corporation and a political subdivision of the State of West Virginia under the provisions of Article 13A of Chapter 16 of the Official West Virginia Code of 1931, as amended and supplemented (herein called the "Act"), and the Public Service Board of said District has heretofore been organized and is now functioning as the governing body of said District, having the duties, powers and authority as provided by the Act; and

WHEREAS, the Public Service Board of the District has heretofore authorized and constructed water facilities within the District to supply water for industrial, public and private uses within the District and has heretofore financed the same by issuance of the Water Revenue Bonds of the District dated April 28, 1970, in the aggregate principal amount of \$275,000, in the denomination of \$1,000 each, numbered 1 to 275, inclusive, bearing interest at the rate of 5% per annum, maturing serially, in numerical order, in the years 1972 to 2010, inclusive (herein called the "1970 Bonds"), as provided in the resolution of said Board adopted April 10, 1970 (herein called the "1970 Resolution"); and

WHEREAS, under the provisions of the Act and the

1970 Resolution as hereinafter amended, the District is authorized and empowered to construct and operate additions, extensions and improvements to said water facilities and to issue additional bonds on a parity with the 1970 Bonds; and

WHEREAS, this Board now desires to authorize the acquisition and construction of additional water facilities and to provide for the financing thereof by the issuance of additional bonds on a parity with the 1970 Bonds as hereinafter provided;

NOW, THEREFORE, be it and it is hereby resolved by the Public Service Board of Danese Public Service District:

ARTICLE I
FINDINGS, PROVISIONS AS TO 1970
RESOLUTION AND DEFINITIONS

Section 1.1. Findings. It is hereby found to be necessary and essential that Danese Public Service District (herein called the "District"), construct and acquire additions, extensions and improvements for the water facilities owned by the District, briefly described as the acquisition, construction and installation of additional water mains and lines, with necessary appurtenant facilities, to serve additional customers along such additions and extensions, all in accordance with, and more particularly described in the plans and specifications therefor prepared by H. P. Thomas, Consulting Engineer, of Oak Hill, West Virginia, now on file with the Secretary of the Board, at the estimated cost of \$73,000 (herein called the "Project"). Such cost shall include the cost of acquisition, construction and installation of said extension, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Bonds for temporary construction financing prior to, during and for six months after completion of the construction, acquisition and installation hereby authorized; fees and expenses of engineers, fiscal agents and attorneys; expenses for estimates of cost and of revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, as hereinabove defined, administrative expenses and such other expenses as may be necessary or incident to the financing hereby authorized and the construction, acquisition and placing in operation of the Project (all such costs being herein called "Project Costs").

Section 1.2. 1970 Resolution Applies. The Bonds hereby authorized as hereinafter provided, shall be on a parity with the 1970 Bonds. Accordingly, the 1970 Resolution is hereby incorporated herein by reference and shall be read as a part hereof, subject to the provisions hereof as to the Project and as to the details of the 1971 Bonds as herein provided.

Section 1.3. Definitions. All terms used in this Resolution shall have the same meanings as defined in the 1970 Resolution unless otherwise expressly provided. The following terms, as used herein, shall have the following meanings:

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

"1970 Bonds" means the Water Revenue Bonds of the District dated April 28, 1970, and as described in the preambles hereof and the interest coupons appertaining thereto.

"1971 Bonds" means the Water Revenue Bonds, Series 1971, of the District hereby authorized and the interest coupons appertaining thereto.

"Project" means the additions, extensions and improvements of the water facilities of the District hereby authorized and all necessary appurtenant facilities in connection therewith.

"Project Costs" means all costs as hereinabove defined of the Project.

"Bonds" means collectively the Water Revenue Bonds, Series 1971, in the aggregate principal amount of \$73,000 hereby authorized and the 1970 Bonds.

"1970 Resolution" means the Bond Authorizing Resolution adopted by the Public Service Board of the District on April 10, 1970, authorizing issuance of the 1970 Bonds.

ARTICLE II

COMPLIANCE WITH 1970 RESOLUTION FOR
ISSUANCE OF ADDITIONAL PARITY BONDS

Section 2.1. Statement of Compliance. The Board hereby declares and certifies that all requirements and provisions for the issuance of additional parity bonds as set out in Section 4.05 of the 1970 Resolution have been accomplished, completed and complied with, including, but not limited to, the following:

(A) The 1971 Bonds are to be issued for the purpose of financing the costs of construction or acquisition of extensions, additions and improvements of the System.

(B) The requirement of Section 4.05(B) of the 1970 Resolution has been waived by the written consent of the United States of America, Farmers Home Administration, the holder of 100% of the 1970 Bonds, which written consent has been filed with the Secretary of the Board.

(C) The District has entered into written contracts for the immediate acquisition or construction of the additions, extensions or improvements to the System which are to be financed by the additional parity Bonds.

(D) The District covenants and agrees that it will comply fully with all the increased payments into the various funds as required by the issuance of additional parity Bonds.

(E) The District has made all the payments into the respective funds as provided for in the 1970 Resolution, and all other payments provided for therein have been or will be made as required to the date of issuance of the additional parity Bonds, and the District has and will continue to comply fully with all the covenants, agreements and terms of the 1970 Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS

Section 3.1. Authorization of Bonds. Subject and pursuant to the provisions of this resolution, Bonds of the District, to be known as "Water System Revenue Bonds, Series 1971" are hereby authorized to be issued in the aggregate principal amount of not exceeding Seventy-Three Thousand Dollars (\$73,000) for the purpose of financing part of the cost of the construction and acquisition of the Project.

Section 3.2. Description of Bonds. The 1971 Bonds may be issued in coupon or single, fully registered form, and shall be dated on the date of delivery. The 1971 coupon Bonds shall be in the denomination of \$1,000 each, shall be numbered in order of maturity, lowest number first, and shall bear interest, payable annually on January 1 of each year, at the rate or rates of not to exceed the rate of five per centum (5%) per annum and a net interest cost of not to exceed the rate of five per centum (5%) per annum. The minimum price for the 1971 Bonds shall be the par value thereof. Coupon and single, fully registered 1971 Bonds shall be exchangeable and interchangeable at the expense of the holder on 90 days notice in writing to the District, provided that single, fully registered 1971 Bonds issued upon initial delivery of the 1971 Bonds by the District shall be exchanged for coupon Bonds at the expense of the District.

The 1971 Bonds shall mature serially in numerical order, lowest numbers first, on January 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 1,000	1986	\$ 1,000	1999	\$ 2,000
1974	1,000	1987	1,000	2000	2,000
1975	1,000	1988	1,000	2001	2,000
1976	1,000	1989	1,000	2002	3,000
1977	1,000	1990	1,000	2003	3,000
1978	1,000	1991	1,000	2004	3,000
1979	1,000	1992	2,000	2005	3,000
1980	1,000	1993	2,000	2006	3,000
1981	1,000	1994	2,000	2007	3,000
1982	1,000	1995	2,000	2008	4,000
1983	1,000	1996	2,000	2009	4,000
1984	1,000	1997	2,000	2010	4,000
1985	1,000	1998	2,000	2011	4,000

The 1971 Bonds shall be redeemable prior to their respective stated dates of maturity at the option of the District, in whole or in part, in inverse numerical order on January 1, 1981, and on any January 1 thereafter at the price of the par value thereof and accrued interest to the date of redemption, subject to earlier redemption as provided herein or in the 1970 Resolution.

Any redemption of the 1971 Bonds shall, to the extent feasible, be on the basis of one Bond of this series to four 1970 Bonds redeemed, such being, as nearly as may be, equal pro rata redemption of the 1970 Bonds and the 1971 Bonds with relation to the amount of the original issue of each series.

Notice of the redemption of any of the Bonds shall be published at least once not less than thirty nor more than sixty days prior to the date of redemption in a financial newspaper published in the City of New York, New York, and notice of any such redemption shall be sent by registered or certified mail to the holders of registered Bonds. If all Bonds to be redeemed are registered other than to bearer, no publication of such redemption need be made. Interest shall cease upon any of the Bonds so called for prior redemption on the date fixed for redemption, provided payment thereof has been

duly made or provided for.

The 1971 Bonds shall be payable with respect to both principal and interest in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or at First National City Bank, New York, New York, at the option of the holder unless otherwise provided in and for the single, fully registered Bonds, and shall bear interest from their date, payable in accordance with and, as to coupon Bonds not registered as to interest, upon the surrender of the appurtenant interest coupons as they severally mature.

Section 3.3. Execution of 1971 Bonds and Coupons.

The 1971 Bonds shall be executed in the name of the District 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 any of the 1971 Bonds shall cease to be such officer before the 1971 Bonds so signed and sealed shall have been actually sold and delivered, such 1971 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bond such person may not have held such office or may not have been so authorized.

The coupons to be attached to the 1971 Bonds shall be authenticated with the facsimile signatures of the present or any future Chairman and Secretary, and the District may adopt and use for that purpose the facsimile signature of any person who shall have been such Chairman or Secretary

at the time when said Bonds shall be actually sold and delivered.

Section 3.4. Negotiability and Registration.

The coupon Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of West Virginia and shall pass by delivery except when registered. The 1971 coupon Bonds may be converted into Bonds registered as to both principal and interest in accordance with the provisions of the forms hereinafter provided.

Section 3.5. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond with all unmatured coupons attached of like tenor as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may require. All Bonds and coupons so surrendered shall be canceled and held for the account of the District. If any such Bond or coupon shall have matured or be about to mature, instead of issuing a substitute Bond or coupon, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond or coupon be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bonds and coupon issued pursuant to this Section shall constitute original, additional

contractual obligations on the part of the District, whether or not the destroyed, stolen or lost Bonds or coupons be at any time found by anyone, and such duplicate Bonds and coupons shall be entitled to equal and proportionate benefits with all other Bonds and coupons issued hereunder.

Section 3.6. Bonds Secured by Pledge of Revenues.

The payment of the debt service of all the 1971 and the 1970 Bonds shall be secured forthwith equally and ratably 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 Bonds, and to make the payments into the Sinking Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.7. Form of Bonds and Coupons. Subject to the provisions of this resolution, the text of the 1971 Bonds, the provisions for registration to be endorsed thereon, the coupons, the single 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 by this resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Coupon Bonds)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1971

No.

\$1,000

DANESE PUBLIC SERVICE DISTRICT, a public service district in the County of Fayette, State of West Virginia, and a public corporation and political subdivision of the State of West Virginia (herein called the "District"), for value received, hereby promises to pay to the bearer, or, if this Bond be registered, to the registered holder as herein provided, on the first day of January, , from the revenues hereinafter mentioned, the principal sum of

ONE THOUSAND DOLLARS

with interest thereon at the rate of _____ per centum (%) per annum, payable on the first day of January of each year, upon the presentation and surrender of the annexed coupons as they severally fall due, unless this Bond be converted into a Bond registered as to both principal and interest. Both principal of and interest on this Bond are payable in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York.

The Bonds of the issue of which this Bond is one may be redeemed prior to their stated maturities, without premium, at the option of the District as a whole, or in part in inverse numerical order, on any January 1 beginning January 1, 1981, as provided in the resolutions hereinafter mentioned, subject to earlier redemption from moneys in the

Project Construction Account as provided in said resolutions. Notice of any such redemption shall be published at least once not less than thirty nor more than sixty days prior to the redemption date in a financial newspaper published in the City of New York, New York. Interest shall cease upon this Bond after the date fixed for redemption if it shall be duly called for prior redemption and payment thereof duly provided for.

This Bond is one of an authorized issue of Bonds (herein called the "1971 Bonds") in the aggregate principal amount of Seventy-three Thousand Dollars (\$73,000) of like date, tenor and effect, except as to number* and date of maturity issued to finance part of the cost of the construction and acquisition of additions, extensions and improvements to the waterworks system of the District under the authority of and in full compliance with the Constitution and Statutes of the State of West Virginia, including particularly Article 13A, Chapter 16 of the West Virginia Code (herein called the "Act") and other applicable statutes, and a resolution duly adopted by the Public Service Board of the District.

The Bonds of this issue and series of which this Bond is one are on a parity with the Water Revenue Bonds of the District dated April 28, 1970, initially issued in the aggregate principal amount of \$275,000 (herein called the "1970 Bonds"). The 1970 Bonds were issued pursuant to a resolution of the Board adopted April 10, 1970 (herein called the "1970 Resolution"), and the Bonds of the issue and series of which this Bond is one have been authorized and issued in full compliance with the 1970 Resolution.

* add, "interest rate" if more than one rate

Any redemption of the 1971 Bonds shall, to the extent feasible, be on the basis of one Bond of this series to four 1970 Bonds redeemed, such being, as nearly as may be, equal pro rata redemption of the 1970 Bonds and the 1971 Bonds with relation to the amount of the original issue of each series.

This Bond and the coupons appertaining hereto and the 1970 Bonds are payable solely from, and secured by a first lien on and pledge of, the net revenues derived from the operation of said waterworks system, with monthly payments from such revenues to be made into the Sinking Fund with the State Sinking Fund Commission for payment of the principal hereof and interest hereon, in the manner provided in said resolutions, and do not and shall not in any event constitute an indebtedness of the District within the meaning of any constitutional or statutory limitations, and the District shall never be obligated to pay this Bond or the interest hereon except from the revenues of said waterworks system, as provided in said resolutions. The District covenants with the holders of the Bonds of the issue of which this Bond is one to establish and at all times maintain such rates and collect such charges for the services and facilities of said waterworks system, and to revise the same from time to time, whenever necessary, as will always provide revenues in each fiscal year sufficient to make the required payments into the Sinking Fund and the reserves and accounts as provided in said resolutions for the 1970 Bonds and the 1971 Bonds, and to pay all necessary expenses of operating and maintaining the said waterworks system during such fiscal year, and the District has entered into certain other covenants with the holders of the Bonds of the issue of which this Bond is one, for the terms of which reference is made to said resolutions.

Additional Bonds on a parity with this Bond and the Bonds of the issue of which this Bond is one, as to lien and source of and security for payment, may be issued under the provisions and restrictions contained in the 1970 Resolution.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in regular and due form, time and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Bond and of the issue of Bonds of which this Bond is one is not in violation of any constitutional or statutory limitation of indebtedness.

This Bond, under the provisions of the Act, is, and has all the qualities and incidents of, a negotiable instrument.

This Bond and the interest hereon are exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be affixed hereto and attested by the Secretary of said Board, and the annexed coupons to be executed with the facsimile signatures of said Chairman and said Secretary, all as of the _____ day of _____, 1971.

DANESE PUBLIC SERVICE DISTRICT

By

John J. Zinke
Chairman of its Public
Service Board

ATTEST,

(SEAL)

George O. Fickel

(Form of Coupon)

\$

On the first day of January, 19 , unless the Bond to which this coupon was originally attached shall have been callable and duly called for prior redemption and payment of the redemption price duly made or provided for, Danese Public Service District, in Fayette County, West Virginia, will pay to the bearer at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York, solely from the revenues described in the Bond to which this coupon is attached, the sum shown hereon in lawful money of the United States of America, upon presentation and surrender of this coupon, being the interest then due on its Water System Revenue Bond, Series 1971.

No. .

DANESE PUBLIC SERVICE DISTRICT

By (facsimile signature)
Chairman, Public Service Board

ATTEST:

(facsimile signature)
Secretary, Public Service Board

CERTIFICATE OF CONVERSION

It is hereby certified over my signature and the official seal of the issuing Public Service District that upon the presentation of the within bond with a written request by the holder thereof for its conversion into a bond registered as to both principal and interest, there have been this day cut off and destroyed _____ interest coupons attached thereto, of the amount and value of _____ each, being all the coupons for interest on the within Bond payable after the date of this certificate, and that the interest at the rate and on the dates stated in the within bond and as was provided by the coupons, as well as the principal, is to be paid to the registered holder hereof, his legal representatives, successors or transferees, at the place stated in the within bond and as was stated in the coupons. The principal of and interest on this Bond shall be payable only to the registered holder hereof named in the registration blank below, or his legal representative, and this Bond shall be transferable only on the books of the registrar kept in the office of the undersigned, and by an appropriate notation in such registration blank. When registered the registrar shall treat the registered owner as the person exclusively entitled to payment of interest and the exercise of all other rights and powers of the owner prior to due presentment for registration of transfer.

Dated: _____, 19____.

Don D. Cole Registrar

(SEAL OF PUBLIC SERVICE DISTRICT)

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasurer of Public Service District as Registrar</u>
_____	_____	<u>Don D. Cole</u>
_____	_____	<u>Don D. Cole</u>
_____	_____	<u>Don D. Cole</u>

(Form of Single Bond)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1971

No. R-1

\$73,000

DANESE PUBLIC SERVICE DISTRICT, a public service district (herein sometimes called the "District") in the County of Fayette, State of West Virginia, a lawfully created and existing public corporation and political subdivision of the State of West Virginia, for value received, hereby promises to pay to the Registered Holder of this Bond the principal sum of Seventy-Three Thousand Dollars (\$73,000), on the first day of January in years and installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 1,000	1986	\$ 1,000	1999	\$ 2,000
1974	1,000	1987	1,000	2000	2,000
1975	1,000	1988	1,000	2001	2,000
1976	1,000	1989	1,000	2002	3,000
1977	1,000	1990	1,000	2003	3,000
1978	1,000	1991	1,000	2004	3,000
1979	1,000	1992	2,000	2005	3,000
1980	1,000	1993	2,000	2006	3,000
1981	1,000	1994	2,000	2007	3,000
1982	1,000	1995	2,000	2008	4,000
1983	1,000	1996	2,000	2009	4,000
1984	1,000	1997	2,000	2010	4,000
1985	1,000	1998	2,000	2011	4,000

and to pay interest from the date hereof on the balance of said principal sum from time to time remaining unpaid at the rate of 5% per annum on January 1 of each year, commencing January 1, 1972 until the principal amount hereof has been paid, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America. Payments of the installments of principal hereof and interest hereon shall be made to the registered holder hereof at the address shown on the books of the Registrar. Payments of installments

hereof, including prepayments of installments, shall fully discharge the obligation of the District herein to the extent of the payments so made. Upon payment in full of the principal hereof and interest hereon, this Bond shall be surrendered to the District for cancellation.

This Bond, designated the "Danese Public Service District Water System Revenue Bond, Series 1971" (herein called the "Bond"), representing this entire issue of Danese Public Service District Water System Revenue Bonds, Series 1971, issued under the provisions, conditions and restrictions set forth in a Resolution duly adopted by the Public Service Board of the District for the purpose of providing funds for financing part of the costs of construction and acquisition of additions, extensions and improvements to the waterworks sytem of the District, together with the Water Revenue Bonds of the District dated April 28, 1970, initially issued in the aggregate principal amount of \$275,000 (herein called the "1970 Bonds"), issued pursuant to a Resolution of the Board adopted April 10, 1970 (herein called the "1970 Resolution"), together with any additional Bonds ranking on a parity herewith issued and outstanding under the provisions, conditions and restrictions set forth in said Resolutions, is payable only from the revenues to be derived from the operation of the waterworks system after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks system (such revenues being herein referred to as "Net Operating Income"). A sufficient portion of the Net Operating Income has been ordered set aside in the Sinking Fund established by the Resolution and pledged for that purpose. This Bond does not in any manner constitute an indebtedness of the District within the meaning of any constitutional or statutory limitation. The District covenants that it will fix

such rates and charges for the services of its waterworks system and collect and account for revenues therefrom sufficient to pay promptly all costs of operation and maintenance thereof and the principal of and interest on this Bond and the 1970 Bonds as the same shall become due and to make the required payments into other funds, accounts and reserves as provided in the Resolution.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

As provided in the Resolution, this Bond is exchangeable at any time, upon 'ninety days' notice, at the request of the Registered Holder hereof and upon surrender of this Bond to the District, for negotiable coupon Bonds, payable to bearer, convertible into bonds registered as to principal and interest, in an aggregate principal amount equal to the unpaid principal amount of this Bond, and in the form of coupon Bond provided in the Resolution.

Prepayment Provisions: In addition to the installments of principal and interest required to be paid by the District as hereinabove set forth, the District shall have the right to prepay on January 1, 1981, and on any January 1 thereafter, the entire principal amount hereof then remaining unpaid, or such lesser portion thereof as it may determine upon, in inverse chronological order of installments and in multiples of \$1,000 plus accrued interest on the amount of the principal prepayment to the date of prepayment.

Notice of any such optional prepayment shall be given by the District at least thirty days prior to the

prepayment date by sending by registered or certified mail to the Registered Holder hereof a notice fixing such prepayment date and the amount to be prepaid.

Any prepayment of the 1971 Bonds shall, to the extent feasible, be on the basis of \$1,000 of this series to \$4,000 of the 1970 series prepaid, such being, as nearly as may be, equal pro rata prepayment of the 1970 Bonds and the Bonds of this series with relation to the amount of the original issue of each series.

A statutory mortgage lien upon the waterworks system of the District is created by the Act in favor of the Registered Holder of this Bond, which lien is hereby recognized as valid and binding and shall remain in effect until the payment in full of the principal of and interest on this Bond.

This Bond is exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

This Bond may be assigned, and upon such assignment the assignor shall promptly notify the District by registered mail and the assignee shall present the same to the District for appropriate change in registration subject to verification of the portion of the principal amount hereof and interest hereon paid or prepaid, and every such assignee shall take this Bond subject to such conditions.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, that the amount of this Bond, together with all other obligations of the District, does not exceed any limits prescribed by the Constitution and

statutes of the State of West Virginia, and that a sufficient portion of the Net Operating Income of the waterworks system of the District has been pledged to and will be set aside into the Sinking Fund for the prompt payment of the installments of the principal of and interest on this Bond.

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereto affixed and attested by the Secretary of said Board, all as of the _____ day of _____, 1971

DANESE PUBLIC SERVICE DISTRICT

By

John S. Linley
Chairman of its Public Service Board

(CORPORATE SEAL)

(ATTEST:

George O. Fickel
Secretary of its Public Service Board

This Bond is registered as follows:

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasurer of Public Service District as Registrar</u>
		<i>Don D. Cole</i>
		<i>Don D. Cole</i>
		<i>Don D. Cole</i>

1970 Bonds and the 1971 Bonds, and all payments, funds and accounts provided and established by the 1970 Resolution are hereby recognized and confirmed as applying to the 1971 Bonds.

Section 4.4. Rates and Charges. The rates and charges for the services and use of the water facilities heretofore duly provided by resolution of the Board and approved by the Public Service Commission of West Virginia in connection with the issuance of the 1970 Bonds are hereby found and determined to be adequate and in compliance with the requirements of the 1970 Resolution and this resolution to produce average annual net revenues equal to not less than 1.10 times the average annual debt service requirements on the 1970 Bonds and the Bonds hereby authorized.

Section 4.5. Tap Fees. Prior to issuance of the 1971 Bonds, the District shall collect tap fees from at least 71 additional customers in the aggregate sum of \$1,420.00, which sum will be deposited in the Revenue Fund.

ARTICLE V

MISCELLANEOUS

Section 5.1. Resolutions Constitute Contract. The provisions of this Resolution, together with the provisions of the 1970 Resolution, as hereinabove supplemented, amended and provided shall constitute a contract between the District and the holders of the Bonds, and after the issuance of any of the Bonds no change, variation or alteration of any kind of the provisions of this Resolution or of the 1970 Resolution shall be made in any manner, except as herein and in the 1970 Resolution provided.

Section 5.2. Separability. If any section, paragraph, clause or provision of this Resolution shall be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution or of the Bonds or coupons, it being hereby declared that all the same are separable.

Section 5.3. Headings, etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 5.4. Filing Under Uniform Commercial Code. The District and the original purchaser of the Bonds shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia, and promptly thereafter the District shall file such Financing Statements in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Court of Fayette County,

West Virginia. The Chairman of the Board of the District is authorized and directed to execute such Financing Statements for the District.

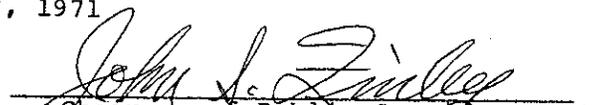
Section 5.5. Sale of Bonds. The Secretary of the Board is hereby authorized and directed to cause notice for bids for the purchase of the Bonds authorized hereby to be published at least twice, the second publication to be not less than fifteen days prior to the date fixed for the receipt of bids, in a newspaper published and of general circulation in Fayette County, with at least one week intervening between publications, and by mailing copies of the Official Notice of Sale at least twenty days prior to the date fixed for the receipt of bids to all area banks having municipal bond departments and all area investment banking firms and all other parties in the area that, in the information of said Secretary, might be interested in the issue.

Section 5.6. Conflicting Provisions. All resolutions and orders or parts thereof in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed, provided, however, that the provisions of the 1970 Resolution shall apply as herein provided.

Section 5.7. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted December 8, 1971


Secretary of Public Service Board


Chairman of Public Service Board

200 Witmer Road
Horsham, PA 19044
Tel: 215.328.4622
www.gmaccm.com

Via Mail

July 18, 2002

GMAC
Commercial Mortgage

Danese Public Service District
Drawer C
Danese, West Virginia 25831

Re: GMAC Loan Number: 01-0592301 & 01-0592303
Danese Public Service District APPROVAL OF YOUR REQUEST TO BORROW AN
ADDITIONAL \$692,000.00 on a parity lien basis from United States Department of Agriculture
(USDA).

Dear Borrower:

Your request for prior written consent pursuant to your loan documents to borrow an additional \$692,000.00 ("the new loan") from USDA has been approved; subject to compliance with the terms of this letter. The instruments evidencing and securing the new loan must expressly provide that (i) the debt and lien evidenced thereby are parity in all respects to the lien(s) securing the debt outstanding to the Community Program Loan Trust 1987A ("the Trust"); and (ii) in the event of a default under such new loan and prior to the holder taking any action to foreclose any security interest or lien securing the new loan, the parity bond holder will provide written notification to the Trust c/o GMAC Commercial Mortgage Corporation at 200 Witmer Road, Horsham, Pennsylvania 19044-8015, or any other address that GMAC Commercial Mortgage Corporation provides. The notice must contain a description of the event of default and the actions intended to be taken as a result of such default. You must also provide us a copy of the executed closing documents within thirty (30) days after loan closing.

Any variance from the above-specified conditions will negate this consent unless we approve it in advance. Should you have any questions regarding this letter please contact me at (215) 328-1697.

Sincerely,

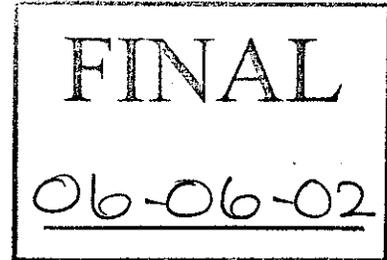


Robert E. Ferguson
Portfolio Analyst

cc: Karrie Mattox- Steptoe & Johnson via facsimile

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: May 17, 2002



CASE NO. 02-0059-PWD-CN

DANESE PUBLIC SERVICE DISTRICT,
a public utility, Drawer C, Danese,
Fayette County.

Application for a certificate of convenience and necessity
to construct improvements and extensions to the water system
together with adequate pressure and storage tank facilities.

RECOMMENDED DECISION

On January 18, 2002, Danese Public Service District (District), by counsel James C. Blankenship, III, filed with the Public Service Commission (Commission), pursuant to W.Va. Code §§ 16-13A-25 and 24-2-11, a duly verified application for a certificate of convenience and necessity to construct improvements and extensions to its water system together with adequate pressure and storage tank facilities. Documents were attached.

Also on January 18, 2002, the Commission directed the District to publish a Notice of Filing, which provided that, if no protest was filed within thirty days after the date of publication, the Commission might waive formal hearing and grant the application based upon its review of the evidence submitted with the application.

On February 1, 2002, the District, by counsel, filed the information required by Rule 26.1 of the Commission's Rules of Practice and Procedure.

On February 4, 2002, the District filed an affidavit establishing that the Notice of Filing had been published on January 28, 2002, in The Fayette Tribune.

On March 1, 2002, Staff Attorney Cassius H. Toon filed an Initial Joint Staff Memorandum, with an attached memorandum from Audra L. Blackwell, Technical Analyst, Engineering Division, and Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division. Staff stated that it was beginning its review.

On March 6, 2002, the Commission, by Order, referred this matter to the Division of Administrative Law Judges (ALJ Division) for decision on or before August 16, 2002.

On February 27, 2002, the District, by counsel, filed a letter requesting expedition of this matter.

On March 26 and April 3, 2002, the District filed further information.

On April 3, 2002, the District filed a letter of conditions from the United States Department of Agriculture.

On April 9, 2002, the undersigned ALJ issued a Procedural Order requiring Staff to file its final recommendation no later than April 18, 2002, as required by Commission policy.

On April 24, 2002, Mr. Toon filed a motion for extension of the ALJ decision due date and the deadline for Staff to file its report.

On April 25, 2002, the Commission granted the motions, extending the deadline for Staff to file its report until May 20, 2002, and the decision due date until September 16, 2002.

On May 6, 2002, Mr. Toon filed the Final Joint Staff Memorandum, with an attached memorandum from Ms. Buckley and David W. Holley, Technical Analyst-In-Training II, Engineering Division. The memorandum was detailed; Staff's findings and recommendations are included in the following findings of fact.

FINDINGS OF FACT

1. On January 18, 2002, Danese Public Service District filed with the Public Service Commission an application for a certificate of convenience and necessity to construct improvements and extensions to its water system, together with adequate pressure and storage tank facilities. The project will consist of replacing lines and constructing extensions to serve the Maplewood and Clifftop area of the New Haven District in Fayette County. Also part of the project will be the construction of two storage tanks. (See application; Final Joint Staff Memorandum filed May 6, 2002).

2. The old pipes are made of asbestos cement, and are incapable of carrying the output from a new treatment plant. The extensions will add 52 customers to the District's present 526 active customers. The project is needed. (See application; Final Joint Staff Memorandum).

3. The total project cost is estimated at \$1,564,000, including construction costs totaling \$1,226,100. (See application; Final Joint Staff Memorandum).

4. The project will be funded by a \$692,000 USDA Rural Utilities Service (RUS) loan, a \$372,000 RUS grant, and a \$500,000 West Virginia Infrastructure and Jobs Development Council grant. The RUS loan is scheduled for repayment over forty years at an annual interest rate of 4.5%. The payments for the first two years will be interest payments only. (See February 1 and April 3, 2002 filings; Final Joint Staff Memorandum).

5. The District is proposing to raise its water rates by approximately 30% in order to service the increased debt and expenses associated with this project. (See application.)

6. The Notice of Filing was published on January 28, 2002, in The Fayette Tribune, and no protest was filed. (See affidavit filed February 4, 2002; case file generally).

7. Staff recommended that the application be granted and the funding approved. Staff also recommended that the rate increases be approved, as provided in the attached Appendix A. (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, as provided in Appendix A hereto, because the public convenience and necessity require the project; the funding is appropriate; no protest has been filed; and Commission Staff has recommended such approval.

ORDER

IT IS, THEREFORE, ORDERED that the application filed on January 18, 2002, by Danese Public Service District for a certificate of convenience and necessity to construct improvements and extensions to its water system, as well as adequate pressure and storage tank facilities, be granted and the project be approved.

IT IS FURTHER ORDERED that the funding for the project, consisting of a USDA Rural Utilities Service \$692,000 loan, a \$372,000 RUS grant, and a \$500,000 West Virginia Infrastructure and Jobs Development Council grant, be approved..

IT IS FURTHER ORDERED that the rate increases as contained in the Staff-approved Tariff, attached hereto as Appendix A, be approved, to become effective upon completion of the project.

IT IS FURTHER ORDERED that Danese 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 \$1,564,000, or in the terms, conditions, or scheduling of the project, Danese Public Service District file a petition with the Commission for approval of such revisions.

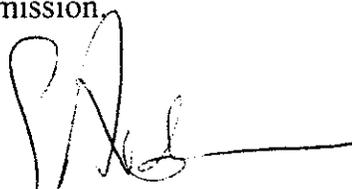
IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

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
020059aa.wpd

DANESE PUBLIC SERVICE DISTRICT
CASE NO. 02-0059-PWD-CN
APPROVED TARIFF

APPLICABILITY

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial use within the area of the Public Service District.

RATE

First	3,000 gallons used per month	\$7.28 per 1,000 gallons
Next	7,000 gallons used per month	\$5.88 per 1,000 gallons
Next	10,000 gallons used per month	\$4.97 per 1,000 gallons
All Over	20,000 gallons used per month	\$4.55 per 1,000 gallons

MINIMUM CHARGE

No bill shall be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8 x 3/4 inch meter	\$ 21.84 per month
3/4 inch meter	\$ 32.76 per month
1 inch meter	\$ 54.60 per month
1-1/4 inch meter	\$ 79.72 per month
1-1/2 inch meter	\$ 109.20 per month
2 inch meter	\$ 174.72 per month
3 inch meter	\$ 327.60 per month
4 inch meter	\$ 546.00 per month
6 inch meter	\$1,092.00 per month
8 inch meter	\$1,747.20 per month

CONNECTION FEE

A fee of two hundred fifty dollars (\$250.00) will be charged for each new connection to the system.

PRECONSTRUCTION CONNECTION CHARGE

For all customers in the project not presently served by a public or community water system, the connection charge shall be one hundred dollars (\$100.00) for all customers requesting service prior to the beginning of construction.

After construction begins, the normal connection charge of two hundred fifty dollars (\$250.00) will be charged.

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount shown. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

RECONNECTION CHARGE

A charge of twenty-five dollars (\$25.00) will be charged upon restoration of disconnected service.

RETURNED CHECK CHARGE

If a check received is returned by the bank for any reason, the bank's charge to the Danese Public Service District shall be the District's charge to the customer for such a bad check, but such charge to the customer shall not exceed \$15.00.

LEAK ADJUSTMENT INCREMENT

\$0.85 per M gallons. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate is used to calculate consumption above customer's historical average usage.

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, 2002.

CASE NO. 02-0059-PWD-CN (REOPENED)

DANESE PUBLIC SERVICE DISTRICT, a public utility,
Drawer C, Danese, Fayette County.

Application for a certificate of convenience and necessity to construct improvements and extensions to the water system together with adequate pressure and storage tank facilities.

COMMISSION ORDER

The Commission has been asked to clarify the description of a project, for which a certificate has been granted. The Commission shall grant the request.

BACKGROUND

On June 6, 2002, Danese Public Service District was granted a certificate of public convenience and necessity to improve and extend its water system, including adequate pressure and storage tank facilities. Rec. Dec. p. 3 (May 17, 2002, final June 6, 2002). Finding of Fact Number 1 read as follows:

On January 18, 2002, Danese Public Service District filed with the Public Service Commission an application for a certificate of convenience and necessity to construct improvements and extensions to its water system, together with adequate pressure and storage tank facilities. The project will consist of replacing lines and constructing extensions to serve the Maplewood and Clifftop area of the New Haven District in Fayette County. Also part of the project will be *the construction of two storage tanks*. (See application; Final Joint Staff Memorandum filed May 6, 2002).

Id. p. 2 (emphasis added).

On June 10, 2002, Danese petitioned for reconsideration of that order, stating that part of the project will involve the construction of two storage tanks, but the order fails to include *the modification* of a third tank. Petition for Reconsideration p. 1 (emphasis added). Danese asked that the inadvertent error be corrected. Id.

DISCUSSION

This case should be reopened to consider Danese's request.

Upon review, the Commission finds that Danese's description of its project to the Commission included Permit Number 15,041 from the West Virginia Office of Environmental Health Services, which granted approval to install, in pertinent part, the following:

one (1) 90,000 gallon water storage tank at Layland Heights; one (1) 80,000 gallon water storage tank at Ford Knob; add a four (4) foot extension to the existing 27,000 gallon Chestnut Knob water storage tank or, as an alternate, add a new 15,000 gallon water storage tank; and all necessary valves, controls and appurtenances.

Permit p. 1 (Feb. 1, 2002). This permit reflects the construction of two tanks, one at Layland Heights and the other at Ford Knob, as well as the modification of a third tank, the one at Chestnut Knob, if a new tank is not built there.

As Danese's petition for reconsideration is consistent with the project description set forth in its Environmental Health Services permit, which is contained in Danese's certificate file at the Commission, and Staff does not object to Danese's petition, it is appropriate to modify the order as Danese requests. Accordingly, the Commission shall grant Danese's petition.

FINDINGS OF FACT

1. Danese's project, as described in Environmental Health Services Permit Number 15,041 sets forth the following:

one (1) 90,000 gallon water storage tank at Layland Heights; one (1) 80,000 gallon water storage tank at Ford Knob; add a four (4) foot extension to the existing 27,000 gallon Chestnut Knob water storage tank or, as an alternate, add a new 15,000 gallon water storage tank; and all necessary valves, controls and appurtenances.

This permit was made part of Danese's certificate application file at the Commission on February 1, 2002.

2. Danese was granted a certificate to improve and extend its water system, including adequate pressure and storage tank facilities. Rec. Dec. p. 3 (May 17, 2002, final June 6, 2002). Finding of Fact Number 1 read, in pertinent part, as follows:

The project will consist of replacing lines and constructing extensions to serve the Maplewood and Clifftop area of the New Haven District in Fayette County. Also part of the project will be *the construction of two storage tanks*. (See application; Final Joint Staff Memorandum filed May 6, 2002).

Id. p. 2 (emphasis added).

3. On June 10, 2002, Danese petitioned to reconsider the certificate order, stating that part of the project will involve the construction of two storage tanks, but the order fails to include *the modification* of a third tank. Petition for reconsideration p. 1 (emphasis added).

4. To date, Staff has not opposed Danese's petition for reconsideration.

CONCLUSIONS OF LAW

1. This case should be reopened to consider Danese's request.

2. As Danese's petition for reconsideration is consistent with the project description set forth in its Environmental Health Services permit, which is contained in Danese's certificate file at the Commission, and Staff does not object to Danese's petition, it is appropriate to modify the order as Danese requests.

ORDER

IT IS THEREFORE ORDERED that this case is reopened.

IT IS FURTHER ORDERED that Danese's petition for reconsideration is granted. The project description is modified to also include the modification of a third tank.

IT IS FURTHER ORDERED that in all other respects the Commission's June 6, 2002, order remains in full force and effect.

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

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

CLW/ras
020059coma.wpd

A True Copy, Teste:



Sandra Squire
Executive Secretary

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Danese Public Service District

OF THE DANESE 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
Water System

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the DANESE 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

SIX HUNDRED NINETY-TWO THOUSAND AND XX / 100

pursuant to the provisions of _____ ; 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 establishment of adequate 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. Revenue cannot be used 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.

- 11. To acquire and maintain such insurance 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 \$ \$ 372,000.00

under the terms offered by the Government; that the Chairman
 and Secretary 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.

The vote was: Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the Danese Public Service District of the

DANESE PUBLIC SERVICE DISTRICT has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 28th day of June, 2001

DANESE PUBLIC SERVICE DISTRICT

By [Signature]
 Title Sterley C. Flanagan, Jr., Chairman

(SEAL)
 Attest: [Signature]
 Title Secretary APSD



CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Secretary of the DANESE PUBLIC SERVICE DISTRICT

hereby certify that the Danese Public Service District of such Association is composed of

3 members, of whom 3 constituting a quorum, were present at a meeting thereof duly called and

held on the 28th day of June, 2001; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of August 22, 2002, 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 22nd day of August, 2002

Lawrence R. Bailey

Title SECRET Secretary

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 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 22nd day of August, 2002, at Danese, West Virginia, the undersigned received for the Purchaser the single, fully registered Danese Public Service District Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$692,000 (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 had been executed and sealed by the designated officials of the Public Service Board of Danese Public Service District (the "Issuer").
3. At the time of such receipt, there was paid to the Issuer the sum of \$104,013.73, 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 22nd day of August, 2002.


Authorized Representative

08/16/02
210780.99001

SPECIMEN

DANESE PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE)

\$692,000

No. AR-1

Date: August 22, 2002

FOR VALUE RECEIVED, DANESE 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 NINETY-TWO THOUSAND DOLLARS (\$692,000), 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 \$3,177, 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 Resolutions 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 August 20, 2002, 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 FOLLOWING WATER REVENUE BONDS OF THE BORROWER:

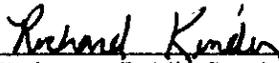
(i) WATER SYSTEM REVENUE BONDS, SERIES 1970, DATED APRIL 28, 1970, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$275,000, AND DESCRIBED IN THE RESOLUTION; AND

(ii) WATER REVENUE BONDS, SERIES 1971, DATED DECEMBER 8, 1971, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$73,000, AND DESCRIBED IN THE RESOLUTION.

IN WITNESS WHEREOF, DANESE 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.

DANESE PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]



Chairman, Public Service Board
Drawer C
Danese, West Virginia 25831

ATTEST:



Secretary, Public Service Board

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:

08/15/02
210780.99001



Clarksburg Charleston Morgantown Martinsburg Wheeling Parkersburg

Bank One Center, Seventh Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoelaw.com
August 22, 2002

Writer's Contact Information

Danese Public Service District
Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

United States Department of Agriculture
Beckley, West Virginia

GMAC Commercial Mortgage Corporation
Horsham, Pennsylvania

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Danese Public Service District in Fayette County, West Virginia (the "Issuer"), of its \$692,000 Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), 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 August 20, 2002, (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 System Revenue Bonds, Series 1970, dated August 28, 1970, issued in the original aggregate principal amount of \$275,000 and



Water Revenue Bonds, Series 1971, dated December 8, 1971, issued in the original aggregate principal amount of \$73,000.

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 thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of 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,



STEPTOE & JOHNSON PLLC

JAMES C. BLANKENSHIP III
ATTORNEY AT LAW
105 EAST WISEMAN AVENUE
P. O. BOX 326
FAYETTEVILLE, WEST VIRGINIA 25840
304-574-3556
FAX 574-2365

August 22, 2002

Danese Public Service District
Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

GMAC Commercial Mortgage Corporation
Horsham, Pennsylvania

United States Department of Agriculture
Beckley, West Virginia

Step toe & Johnson PLLC
Clarksburg, West Virginia

Ladies and Gentlemen:

I am counsel to Danese Public Service District, a public service district in Fayette County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted August 20, 2002 (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 Fayette 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.

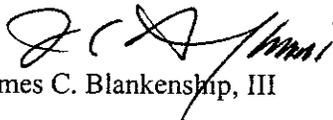
I am of the opinion that:

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

Sincerely,


James C. Blankenship, III

JCB,III/kll

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 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. CONSENT OF PRIOR BONDHOLDERS
16. CONFLICT OF INTEREST
17. PROCUREMENT OF ENGINEERING SERVICES
18. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Danese Public Service District in Fayette 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 Danese Public Service District Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$692,000 and bearing interest at the rate of 4.5% per annum (the "Bonds" or the "Series 2002 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 December 17, 1998, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted August 20, 2002, 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 entered on June 6, 2002, in Case No. 02-0059-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the rates and charges. The time for appeal of the 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 2002 A Bonds as to liens, pledge and source of and security for payment, being the Water System Revenue Bonds, Series 1970, dated April 28, 1970, issued in the original aggregate principal amount of \$275,000 and the Water Revenue Bonds, Series 1971, dated December 8, 1971, issued in the original aggregate principal amount of \$73,000 (collectively, the "Prior Bonds"). 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 2002 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

1970 Bond Resolution

1971 Bond Resolution

Consent to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

County Commission Orders Regarding Creation and Enlargement of the District and Approval of Boardmembers

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 on Adoption of Bond Resolution

United States Department of Agriculture Letter of Conditions and Closing Instructions

United States Department of Agriculture Grant Agreement

Evidence of Grant from the West Virginia Infrastructure and Jobs Development Council

The undersigned Chairman hereby covenants that he has or will file tariffs pursuant to final order of the Public Service Commission when the completion date of the Project is definitely known, or has caused or will cause such tariffs to be filed in accordance with said order.

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Danese Public Service District" and its principal office and place of business are in Fayette 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>
Richard Kinder	02-06-2002	03-30-2008
Lawrence Boley	03-26-2002	03-30-2006
Gary Holcomb	03-15-1998	03-30-2004

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2002 are as follows:

Chairman	-	Richard Kinder
Secretary	-	Lawrence Boley
Treasurer	-	Gary Holcomb

The duly appointed and acting Attorney for the Issuer is James C. Blankenship, III, Esquire, of Fayetteville, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Bonds were delivered to the Purchaser at Danese, 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 \$104,013.73 was received by the undersigned Chairman, being a portion of the principal amount of 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 538 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 and subsequent grant from the Purchaser in the total amount of \$372,000 and the grant from the West Virginia Infrastructure and Jobs Development Council in the amount of \$500,000 are committed and in full force and effect.

15. **CONSENT OF PRIOR BONDHOLDERS:** The Issuer has obtained consent from GMAC Commercial Mortgage, the Prior Bondholder, to issue the Bonds on a parity with the Prior Bonds.

16. **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.

17. **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.

18. **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 DANESE PUBLIC SERVICE DISTRICT on this 22nd day of August, 2002.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Richard Kinder

Chairman

Lawrence R. Boley

Secretary

J. C. Smith

Attorney for Issuer

08/15/02
210780.99001

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

We, Jack D. Stafford, Registered Professional Engineer, West Virginia License No. 6753, and James R. Bolton, Registered Professional Engineer, West Virginia License No. 8940, of Stafford Consultants Incorporated, Princeton, West Virginia, hereby certify that our firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") (namely the Danese Public Service District Water Systems Improvement Project, as further outlined in documents approved by the West Virginia Office of Environment Health Services Permit No. 15,041) to the existing waterworks system (the "System") of Danese Public Service District (the "Issuer"), to be acquired and constructed in Fayette County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

We further certify that the Project will, to the best of our knowledge, within the limits and in accordance with the applicable and governing contractual requirements related to the Project, be constructed in general accordance with plans and specifications prepared by our firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

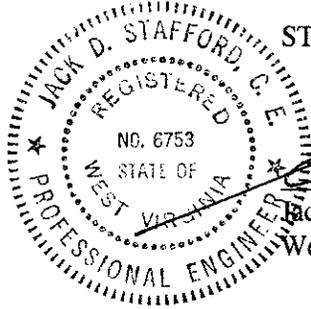
We further certify that the Project is adequate for the purpose for which it was designed and that the following necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained or can and will be obtained:

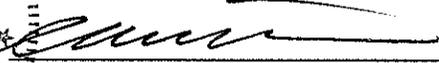
1. West Virginia Office of Environmental Health Services
2. Corps of Engineers Nationwide Permit
3. Construction Stormwater WV/NPDES General Permit
4. West Virginia Division of Highways
5. Public Land Corporation

Stafford Consultants Incorporated has not reviewed the potential applicability of the National Environmental Policy Act to the acquisition and construction of the Project or operation of the System.

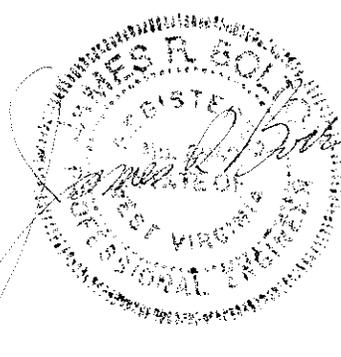
WITNESS our signatures on this 8th day of August, 2001.

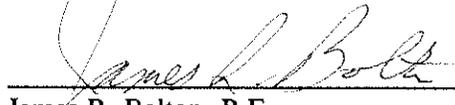
STAFFORD CONSULTANTS INCORPORATED





Jack D. Stafford, P. E.
West Virginia License No. 6753





James R. Bolton, P.E.
West Virginia License No. 8940

08/14/02
2107480.99001

Jeffrey S. Feamster, CPA

Jeffrey S. Feamster
Certified Public Accountant
P. O. Box 121
Lewisburg, West Virginia 24901

Phone: (304) 647-5980
Fax: (801) 640-8611
Cellular: (304) 667-5990
Email: jeff@mcsww.com

August 22, 2002

Danese Public Service District
Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

United States Department of Agriculture
Morgantown, West Virginia

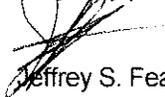
West Virginia Water Development Authority
Charleston, West Virginia

GMAC Commercial Mortgage Corporation
Horsham, Pennsylvania

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia entered June 6, 2002, in Case No. 02-0059-PWD-CN, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by Danese Public Service District (the "Issuer"), it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will produce Net Revenues equal to not less than 120% of the average annual debt service on the Issuer's Water System Revenue Bonds, Series 1970 and Water Revenue Bonds, Series 1971 (collectively, the "Prior Bonds") and the Water Revenue Bonds, Series 2002 A (United States Department of Agriculture) (the "Bonds") and to make payments required into the Sinking Funds, Reserve Accounts and Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such fiscal year.

Very truly yours,



Jeffrey S. Feamster, CPA

IN THE COUNTY COURT OF FAYETTE COUNTY, WEST VIRGINIA

A RESOLUTION AND ORDER CREATING THE DANESE PUBLIC SERVICE DISTRICT IN FAYETTE COUNTY, WEST VIRGINIA.

Whereas, the County Court of Fayette County, West Virginia, did heretofore by resolution and order, dated February 23, 1966, fix a date for public hearing on the creation of a proposed Danese Public Service District and in and by said resolution and order provide that all persons residing in or owning or having any interest in property in the proposed Public Service District might appear before the County Court at this meeting and have the opportunity to be heard for and against the creation of said District; and

Whereas, notice of this hearing was duly given in the manner provided and required by said resolution and order and by Article 13-A of Chapter 16 of the West Virginia Code, and all interested persons having been afforded an opportunity of being heard for and against the creation of said District, and no written protest having been filed and the requisite number of qualified voters registered and residing within said proposed Public Service District having duly submitted their petition, in writing and signed by 102 petitioners, and the court having given due consideration to all matters for which said hearing was offered; and

Whereas, it is now deemed desirable by said County Court to adopt a resolution and order creating said Public Service District; now, therefore,

Be it and it is hereby RESOLVED and ORDERED by the County Court of Fayette County, West Virginia, as follows:

Section 1. That a Public Service District including portions of the Districts of Sewell Mountain and Quinnimont within Fayette County, West Virginia, is hereby created and said District shall have the following described boundaries:



... and a longitude of 80° 52'; thence running
on a latitudinal line of 37° 52'

West 7.4 miles more or less to a point having a latitude
of 37° 52' and a longitude of 81° 00';
thence running along a longitudinal line
of 81° 00'

North 11.45 miles more or less to a point having a latitude
of 38° 01' and a longitude of 81° 00';
thence running along a latitudinal line
of 38° 01'

East 7.4 miles more or less to a point near Laurel Creek,
said point having a latitude of 38° 01'
and a longitude of 80° 52'; thence running
along a longitudinal line of 80° 52'

South 11.45 miles more or less to the point of beginning and
containing approximately 84.7 square miles.

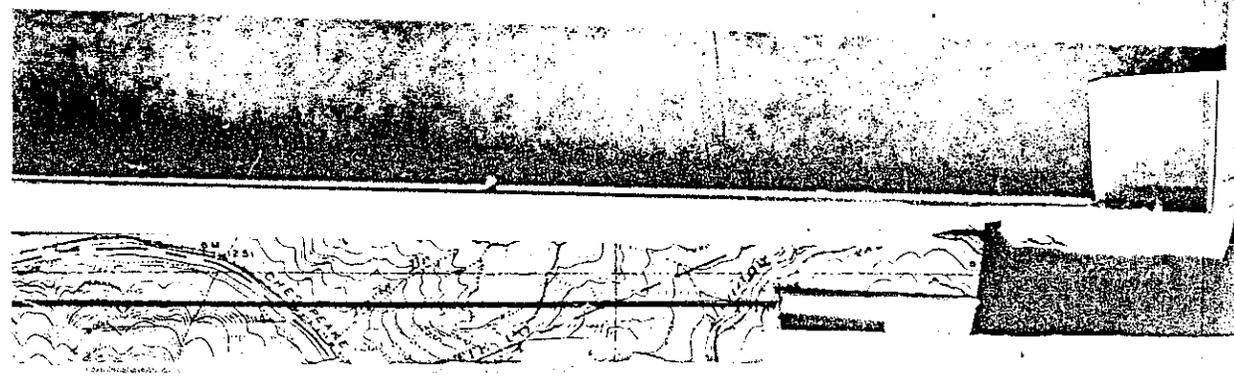
Section 2. That said Public Service District so created
shall have the name and corporate title of "Danese Public Service
District" and shall constitute a public corporation and political
subdivision of the State of West Virginia, having all the rights
and powers conferred upon Public Service Districts by the laws of
the State of West Virginia and particularly Article 13-A of
Chapter 16 of the West Virginia Code.

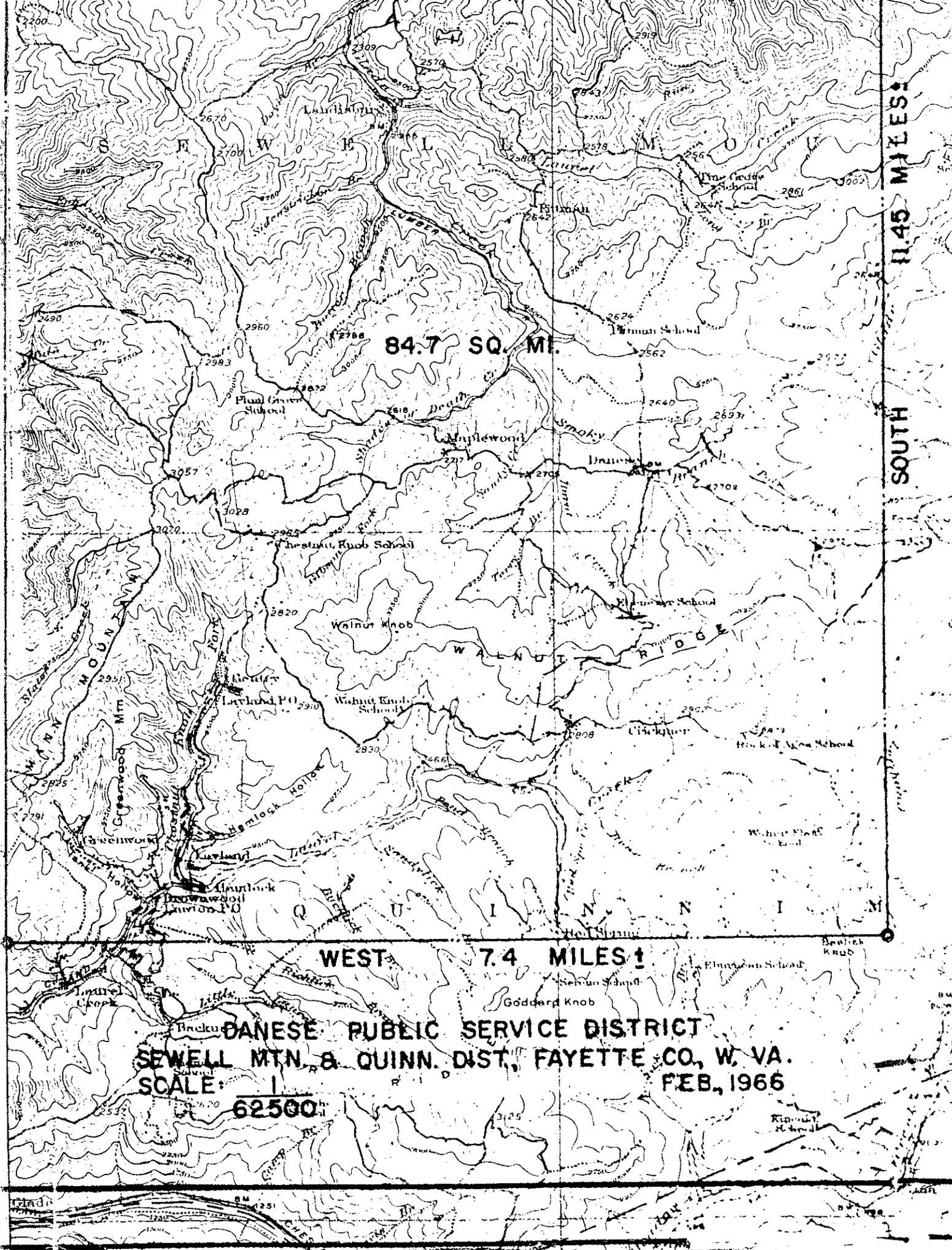
Section 3. That the County Court of Fayette County,
West Virginia, has determined that the territory within Fayette
County, West Virginia, having the above-described boundary is so
situated that the construction or acquisition by purchase or
otherwise in the maintenance, operation, improvement and extension
of properties and facilities supplying both water and sewage
disposal services within such territory by said Public Service
District shall be conducive to the preservation of public health,
comfort and convenience of such area.

Adopted by the County Court on the 30th day of March,
1966.

Crowl Kuster
President

ATTEST:
Maria J. Acy, Clerk
Clerk





11.45 MILES

SOUTH

84.7 SQ. MI.

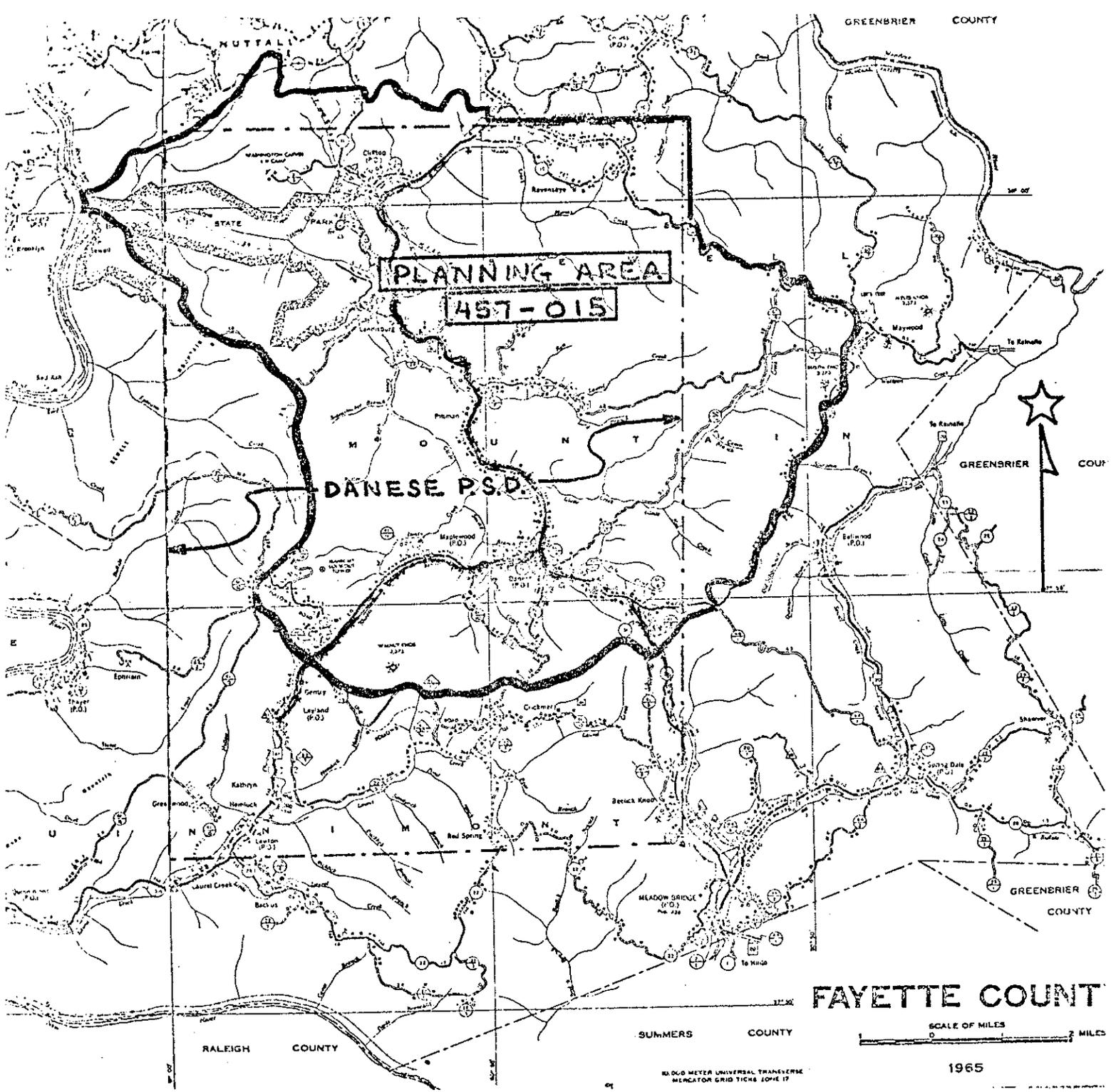
WALNUT RIDGE

WEST 7.4 MILES

DANESE PUBLIC SERVICE DISTRICT
SEWELL MTN. & QUINN. DIST., FAYETTE CO., W. VA.

SCALE: 1" = 62500'

FEB. 1966



PLANNING AREA
457-015

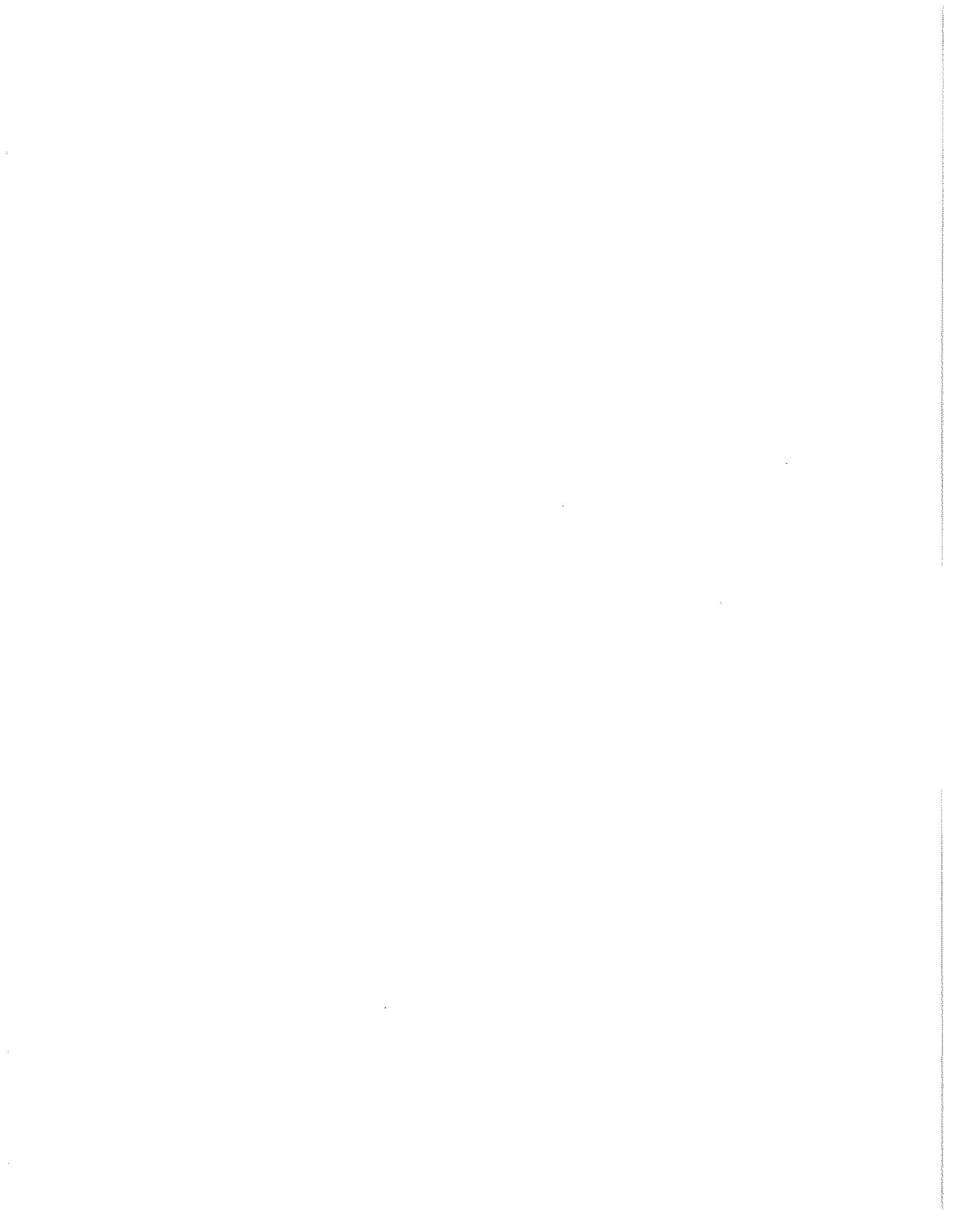
DANESE P.S.D.

FAYETTE COUNTY

SCALE OF MILES
0 1 2 MILES

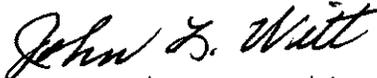
1965

U.S. GEOLOGICAL SURVEY
MERCATOR GRID TICS 104E 17



FAYETTE COUNTY COMMISSION

On this the 6th day of February, 2002, the County Commission of Fayette County meeting in a regular called session and having been advised of the expiration of the term of office for Richard W. Kinder as Commissioner for the Danese Public Service District, does hereby order that Richard W. Kinder be reappointed to said office for a term of six years, said term expiring March 30, 2008.



John L. Witt, President



John H. Lopez, Commissioner



Matthew D. Wender, Commissioner

FAYETTE COUNTY COMMISSION

On this the 26th day of March, 2002, the County Commission of Fayette County meeting in a special called session and having been advised previously of the resignation of Lawrence R. Boley as Commissioner for the Danese Public Service District, does hereby order that Lawrence R. Boley be reappointed as recommended by the Danese Public Service District Board members to fill his unexpired term, said term expiring March 30, 2006.

John L. Witt
John L. Witt, President

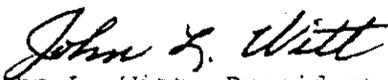
John H. Lopez
John H. Lopez, Commissioner

Matthew D. Wender
Matthew D. Wender, Commissioner

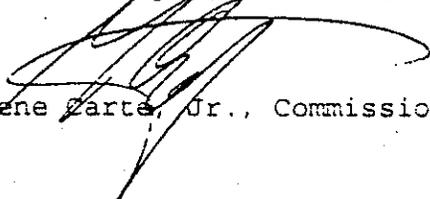
copy Danese PSD

FAYETTE COUNTY COMMISSION

On this the 15th day of May, 1998, the County Commission of Fayette County meeting in a regular called session and having been advised of the expiration of the term of office for Gary Holcomb as Commissioner for the Danese Public Service District, does hereby order that Gary Holcomb be reappointed to said office for a term of six years, said term expiring March 30, 2004.


John L. Witt, President


John H. Lopez, Commissioner


Gene Zarte, Jr., Commissioner

OFFICIAL OATH OF OFFICE

**STATE OF WEST VIRGINIA,
COUNTY OF FAYETTE, SS:**

I, Richard E Kinder, do solemnly swear that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of BOARD MEMBER DANESSE BD, in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

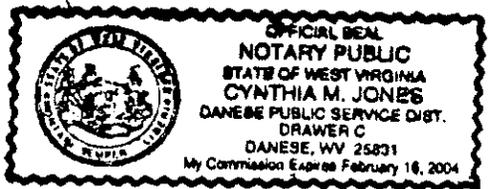
3-21-02
Date

Richard E Kinder
Signature

Taken, sworn to and subscribed to before me this 21st day of March, 2002 by Richard E. Kinder

My Commission expires Feb. 16, 2004

Cynthia M. Jones
Notary Public



OFFICIAL OATH OF OFFICE

**STATE OF WEST VIRGINIA,
COUNTY OF FAYETTE, SS:**

I, Lawrence R. Boley, do solemnly swear that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Board Member Danese PSD, in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

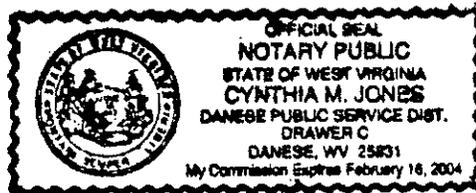
April 1, 2002
Date

Lawrence R. Boley
Signature

Taken, sworn to and subscribed to before me this 1st day of April, 2002 by Lawrence R. Boley.

My Commission expires Feb. 16, 2004.

Cynthia M. Jones
Notary Public



OFFICIAL OATH OF OFFICE

**STATE OF WEST VIRGINIA,
COUNTY OF FAYETTE, SS:**

I, Gary Holcomb, do solemnly swear that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Board Member Danese P.S.D., in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

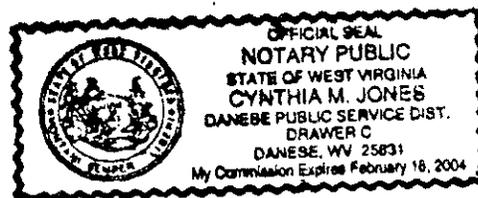
3-21-2002
Date

Gary Holcomb
Signature

Taken, sworn to and subscribed to before me this 21st day of March, 2002 by Gary Holcomb

My Commission expires Feb. 16, 2004

Cynthia M. Jones
Notary Public



RULES OF PROCEDURE

DANESE COUNTY PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: DANESE COUNTY PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Maplewood, Danese, Fayette County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Danese County 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 Fayette 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 3rd Thursday 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 Fayette 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 Fayette 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 20th day of August, 2002.

08/15/02
210780.99001

020059SEC021801.wpd
PUBLIC SERVICE
COMMISSION OF
WEST VIRGINIA
CHARLESTON

Entered by the PUBLIC
SERVICE COMMISSION
OF WEST VIRGINIA in the
City of Charleston on the
18th day of January,
2007.

CASE NO. 02-0059-PWD-
CN
DANESE PUBLIC SERV-
ICE DISTRICT
Drawer C, Danese, WV
25831

Application for a Certifi-
cate of Convenience and
Necessity to construct im-
provements and exten-
sions to the water system
together with adequate
pressure and storage tank
facilities.

NOTICE OF FILING

WHEREAS, on January
18, 2007, the Danese Pub-
lic Service District filed an
application, duly verified,
for a Certificate to con-
struct certain additions
and improvements to the
water system it operates
in Fayette County, West
Virginia. The application
is on file with and avail-
able for public inspection
at the Public Service
Commission, 201 Brooks
Street, in Charleston,
West Virginia.

WHEREAS, the Danese
Public Service District
(District) estimates that
construction will cost ap-
proximately
\$1,564,000.00. It is pro-
posed that construction
will be financed as fol-
lows: a loan from USDA
Rural Development in the
amount of \$692,000.00
for a period of 38 years at
the rate of 4.5% interest;
a USDA Rural Develop-
ment grant of
\$372,000.00; and a West
Virginia Infrastructure
and Job Development
Council grant of
\$500,000.00.

WHEREAS, the utility an-
ticipates charging the fol-
lowing monthly rates for
its customers:

Applicable Within Entire
Territory Served

Availability of Service
Available for General Do-
mestic, Commercial and
Industrial Service

Metered Rate

First 3,000 gallons used
per month \$7.28 per
1,000 gallons
Next 7,000 gallons used
per month \$5.88 per
1,000 gallons
Next 10,000 gallons used
per month \$4.50 per
1,000 gallons
All over 20,000 gallons
used per month \$4.55 per
1,000 gallons

Minimum Monthly
Charge

5/8 x 3/4" meter, or small-
er \$21.84 per month
3/4" meter \$32.76 per
month
1" meter \$54.60 per
month
1 1/4" meter \$79.72 per
month
1 1/2" meter \$109.20 per
month
2" meter \$174.72 per
month
3" meter \$327.60 per
month
4" meter \$546.00 per
month
6" meter \$1,092.00 per
month
8" meter \$1,747.20 per
month

Fire Hydrant Rental

There shall be no special
charge for fire hydrant
service.

Delayed Payment Penal-
ty

The above tariff is net.
On all accounts not paid
in full within twenty (20)
days of date the bill, ten
percent (10%) will be add-
ed to the current net
charge unpaid. This de-

layed payment penalty is
not interest and is to be
collected only once for
each bill where it is ap-
propriate.

Pre-construction Con-
nection Charge

For all customers in the
project not presently
served by a public or
community water system,
the connection charge
shall be one hundred dol-
lars (\$100.00) for all cus-
tomer requesting service
prior to the beginning of
construction. After con-
struction begins, the nor-
mal connection charge of
two hundred fifty dollars
(\$250.00) will be charged.

Connection Charge

A fee of two hundred fifty
dollars (\$250.00) will
be charged for each new
construction to the sys-
tem.

Reconnection Charge

The reconnection charge
shall be twenty-five dol-
lars (\$25.00)

Bad Checks - Returned
Checks

If a check received is re-
turned by the bank for
any reason, the bank's
charge to the Danese
Public Service District
shall be the District's
charge to the customer
for a bad check, up to a
maximum charge of fif-
teen dollars (\$15.00).

These rates represent
the following project-re-
lated increases:

(%) INCREASE (%) IN-
CREASE

Residential	6.62	30
Commercial	43.91	30
Industrial	none	none
Resale	none	none
Other	none	none

There are no rate in-
creases proposed for
non-project related costs.
There are no resale cus-
tomers served by the Da-
nese Public Service Dis-
trict.

The proposed increased
rates and charges will
produce approximately
\$56,638.00 annually in ad-
ditional revenue, an in-
crease of approximately
34%.

The increases shown are
based on averages of all
customers in the indicat-
ed class. Individual cus-
tomers may receive in-
creases that are greater
or less than average. Fur-
thermore, the requested
rates and charges are on-
ly a proposal and are sub-
ject to change (increases
or decreases) by the Pub-
lic Service Commission in
its review of this filing.

Pursuant to §24-2-11,
West Virginia Code, IT IS
ORDERED that the Da-
nese Public Service Dis-
trict give notice of the fil-
ing of said application, by
publishing a copy of this
order once in a newspa-
per duly qualified by the
Secretary of State, pub-
lished and of general cir-
culation in Fayette Coun-
ty, making due return to
this Commission of prop-
er certification of publica-
tion immediately after
publication. Anyone de-
siring to protest or inter-
vene should file a written
protest or notice of inter-
vention within 30 days
following the date of this
publication unless other-
wise modified by Com-
mission order. Failure to
timely protest or inter-
vene can affect your right
to protest aspects of this
certificate case, including
any associated rate in-
creases or to participate
in future proceedings. All
protests or requests to in-
tervene should briefly
state the reason for the
protest or intervention.
Requests to intervene
must comply with the
Commission's rules on in-

tervention set forth in the
Commission's Rules of
Practice and Procedure.
All protests and interven-
tions should be ad-
dressed to Sandra Squire,
Executive Secretary, P. O.
Box 812, Charleston,
West Virginia 25323.

IT IS FURTHER OR-
DERED that if no protests
are received within said
thirty (30) day period, the
Commission may waive
formal hearing and grant
the application based on
the evidence submitted
with said application and
its review thereof.

FOR THE COMMISSION:
Sandra Squire
Executive Secretary

SS/s
020059s.wpd
01-28-MON-1-FT; LG 77

PROPOSED RATES

Applicable Within Entire Territory Served

Availability of Service

Available for General Domestic, Commercial and Industrial Service

Metered Rate

First 3,000 Gallons Used Per Month	7.28 Per 1,000 Gallons
Next 7,000 Gallons Used Per Month	5.88 Per 1,000 Gallons
Next 10,000 Gallons Used Per Month	4.50 Per 1,000 Gallons
All Over 20,000 Gallons	4.55 Per 1,000 Gallons

Minimum Charge

The above schedule is subject to a monthly minimum charge based on the size of the meter as follows:

5/8 x 3/4 Inch meter, or smaller	21.84 Per Month
3/4 Inch Meter	32.76 Per Month
1 Inch Meter	54.60 Per Month
1 1/4 Inch Meter	79.72 Per Month
1 1/2 Inch Meter	109.20 Per Month
2 Inch Meter	174.72 Per Month
3 Inch Meter	327.60 Per Month
4 Inch Meter	546.00 Per Month
6 Inch Meter	1,092.00 Per Month
8 Inch Meter	1,747.20 Per Month

Fire Hydrant Rental

There shall be no special charge for fire hydrant service.

Delayed Payment Penalty

The above schedule 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 current net charge.

Pre-construction Connection Charge

For all customers in the project not presently served by a public or community water system, the connection charge shall be one hundred dollars (\$100.00) for all customers requesting service prior to the beginning of construction. After construction begins, the normal connection charge of two hundred fifty dollars (\$250.00) will be charged.

Connection Charge

A fee of two hundred fifty dollars (\$250.00) will be charged for each new connection to the system.

Reconnection Charge

The reconnection charge shall be twenty-five dollars (\$25.00).

Bad Checks - Returned Checks

If a check received is returned by the bank for any reason, the bank's charge to the Danese Public Service District shall be the District's charge to the customer for a bad check, up to a maximum charge of fifteen dollars (\$15.00).

Monthly Board Meeting Minutes

Danese PSD

April 22, 2002

Last year's gross wages for eligible employees were \$64,570.33. 9.5% of that gross amount would amount to \$6,134.15 per year and \$511.18 per month for the District's portion.

Employees eligible to participate are Jack Pugh, George Smith and Cynthia Jones. All employees were interested in participating.

District adopted the attached Resolution to become members of the WV Public Employee Retirement System.

5. Flushing Lines:

Water lines were flushed on Wednesday April 17, 2002. Cynthia had several reports of red water on Thursday April 18. George flushed again near Gary Ritter's. We need a flush valve in that area.

6. Water Loss:

Water loss is 42.51% with 530 active customers April 17, 2002.

7. PSC Procedural Order - Final Recommendations:

Procedural Order from the Public Service Commission of WV was issued April 9, 2002. The order requires the PSC's engineering staff to file its final recommendation no later than April 18, 2002. The order sets out that no hearing will be necessary and that the administrative law judge has accepted that this matter should be expedited.

OLD BUSINESS:

1. Project

A. Cynthia completed everything for the Bond Ordinance requested by Steptoe & Johnson. GMAC should be giving their approval around May 6. Rose Mary Christian went to the State RUS with all necessary documents to get approval to bid the project. She said there were a few questions that she directed to Randy Bolton.

2. CWEP

The CWEP worker never showed up.

3. Open for discussion

Cynthia reported that while gathering information for Steptoe & Johnson she discovered that the Ford Knob Tank would not be in our PSC Boundaries. She immediately contacted Attorney Blankenship who contacted Randy Bolton, Stafford Consultants and Dave Pollard, Fayette County Court House. It was decided that since we were not in any other District's territory there would be no problem proceeding as planned. The

Monthly Board Meeting Minutes

Dance PSD

April 22, 2002

Type of meeting: Regularly Scheduled

Attendees: _____

1. Approval of Agenda
2. Minutes of March 21, 2002
3. Financial:

A. Approve Bank Statement Reconciliation

B. Balances as of April 22, 2002

Checking O & M	\$ 3095.74	
Petty Cash	124.29	
Customer Deposit Fund	1802.23	
New Users Tap Fees & Dep	3000.00	Total Deposit Fund \$4,802.23
(I have a check for \$100.00 from Tim Ballenger that has not been deposited because I have not received my deposit slips from the bank)		
Accounts Receivable	\$12,232.88	

New Business:

1. New Board Member:

Fayette County Commission appointed Mr. Lawrence Boley as a Board Member.

2. Board Member Positions:

District voted on positions again due to the changes in the past few months of it's Board Members. They also voted to have the Monthly Board Meetings on the 3rd Thursday of each month at 7:30 PM when possible. Board Members were in total agreement with the offices as follows:

Chairman - Rick Kinder
Secretary - Lawrence Boley
Treasurer - Gary Holcomb

3. Booster Station:

The Board unanimously agreed to pay the Loops Road Holiness Church the \$1,400.00 that Mr. Blankenship agreed on for the Booster Station Site. He first offered \$1,000 but Rev. Toney wanted \$1,800.00 so he told him we would split the difference.

4. State Retirement Fund:

Board Members all agreed to participate in the State Retirement Fund. The District understands that it can never cease to be a member of the Retirement Fund once it starts participating. The District would pay 9.5% of eligible participants gross wages and the employee would pay 4.5 % of his/her gross wages. The 4.5 % is to be deducted before taxes are computed.

Monthly Board Meeting Minutes

Danco PSD

April 22, 2002

PSD instructed Cynthia to have Mr. Blankenship proceed with extending our boundaries. She is to contact Mr. Bolton also to determine the area that we can supply water to.

Jack spoke with Joe Rozell concerning the movement of his meter. Mr. Rozell needed to move his meter anyway so it was decided that he should pay the \$235.00 Tap Fee. Jack has not decided which route would be best, to go under the road or bring the line from McCafferty's.

4. Adjourn meeting

Rick Kinder made the motion that the meeting be adjourned. Gary seconded. The meeting was adjourned.

Summary Submitted by Cynthia Jones

Approved by Laurence Boley Richard Kinder
Gary Holmberg

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 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 Danese Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Danese Public Service District met in special session, pursuant to notice duly given, on the 20th day of August, 2002, at Danese West Virginia, at the hour of 10:00 a..m.

PRESENT: Richard Kinder - Chairman and Member
 Lawrence Boley - Secretary and Member
 Gary Holcomb - Treasurer and Member

ABSENT: None

Richard Kinder, Chairman, presided, and Lawrence Boley, acted as Secretary.

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 DANESE PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$692,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2001 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 further 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 22nd day of August, 2002.


Secretary

08/15/02
210780.99001

WV MUNICIPAL BOND COMMISSION
8 Capitol Street
Suite 500, Terminal Building
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: August 22, 2002

ISSUE: Danese Public Service District Combined Water Revenue Bonds, Series 2002 A (United States Department of Agriculture)

ADDRESS: Danese Public Service District, Drawer C, Danese, WV 25831 COUNTY: Fayette

PURPOSE OF ISSUE: New Money: X
Refunding: _____ REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: August 22, 2002 CLOSING DATE: August 22, 2002

ISSUE AMOUNT: \$692,000 RATE: 4.5%

1ST DEBT SERVICE DUE: N/A 1ST PRINCIPAL DUE: N/A

1ST DEBT SERVICE AMOUNT: N/A PAYING AGENT: Issuer

BOND COUNSEL: Steptoe & Johnson PLLC
Contact Person: John C. Stump, Esquire
Phone: (304) 353-8196

UNDERWRITERS COUNSEL: _____
Contact Person: _____
Phone: _____

CLOSING BANK: _____
Contact Person: _____
Phone: _____

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Cynthia Jones
Position: Manager
Phone: (304) 438-6686

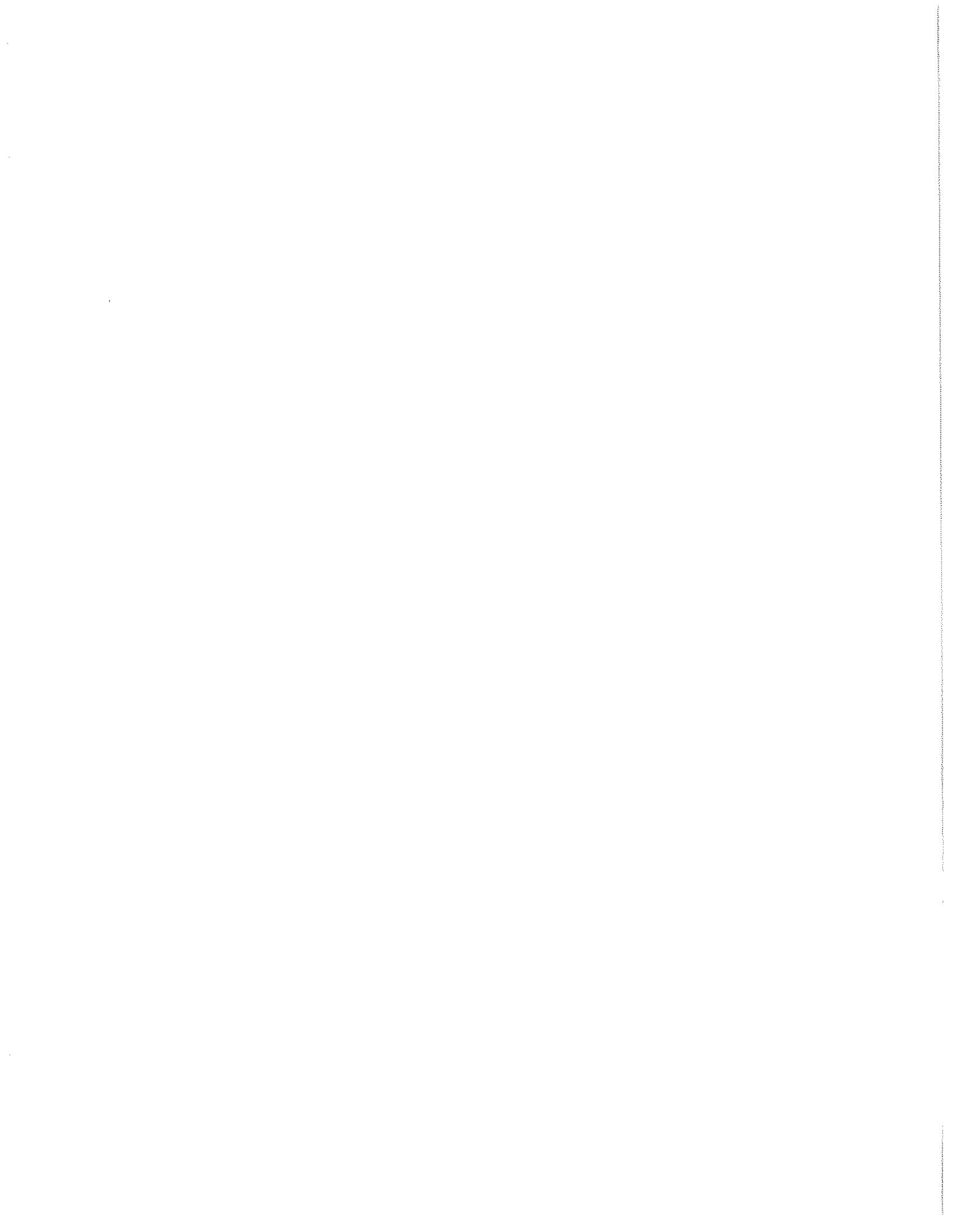
OTHER: United States Department of Agriculture
Contact Person: Ms. Rosemary Christian
Function: Rural Development Specialist
Phone: (304)252-8644

DEPOSITS TO MBC AT CLOSE: _____
By: _____ Wire _____
_____ Check _____
Accrued Interest: \$ _____
Capitalized Interest: \$ _____
Reserve Account: \$ _____
Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire _____
_____ Check _____
_____ IGT _____
To Escrow Trustee: \$ _____
To Issuer: \$ _____
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 hold the Series 2002 A Bonds Reserve Account. Payments to the Series 2002 A Bonds Reserve Account will commence within 24 months of August 22, 2002.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____





United States
Department of
Agriculture

Rural Development

extra

Federal Building, Room 320
75 High Street
Morgantown, WV 26505
Telephone: (304) 291-4796
Fax: (304) 291-4159
TTY/TDD: (304) 284-5941

December 17, 1998

Gary Holcomb, Chairman
Danese Public Service District
P.O. Drawer C, Route 19-41
Danese, WV 25831

Dear Mr. Holcomb:

This letter, with Attachments 1 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 \$764,000, an RUS grant in the amount of \$300,000, and other funding in the amount of \$500,000, for a total project cost of \$1,564,000. The other funding is planned in the form of a grant from the Appalachian Regional Commission.

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 Danese 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 - Agreement (RUS Bulletin 1780-13) (Engineer Copy)
- Attachment No. 7 - Supplemental General Conditions (RUS Bulletin 1780-14) (Engineer Copy)
- 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 - Danese PSD Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 11 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 12 - RUS Bulletin 1780-21, "Consent for Additional Borrowing for Applicants Whose Loans Were Sold to the Community Programs Loan Trust 1987-A"
- Attachment No. 13 - Labor Standards Provisions
- 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 4.5% interest rate and a monthly amortization factor of 0.00459, which provides for a monthly payment of \$3,507.00. 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 and a depreciation reserve account, which together equal 10% of the annual debt service each year for the life of the loan. Five percent (5%) will be deposited into both accounts until an annual debt payment has been accumulated. Thereafter, the entire 10% will be deposited into the depreciation reserve account.

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 on parity with the PSD's Series 1970 and 1971 Revenue Bond Issues now held by General Electric Credit Corporation, 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.

The PSD's water revenue bond issue was sold in the 1987 asset sale. It will be necessary for the PSD's bond counsel to contact the General Electric Capital Corporation (GECC), P.O. Box 420250, Houston, Texas, 77242, to obtain consent for additional borrowing. Attached is RUS Bulletin 1780-21 which contains an application to obtain additional funding that must be submitted to GECC (Attachment No. 12). Evidence of GECC's consent must be provided to RUS prior to loan closing.

3. Users - This conditional commitment is based upon you providing evidence that you will have at least 594 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 102 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 one (1) large volume user. Evidence must be provided to show this user will actually be connected to the system when it is completed and that the monthly water usage projected for the user by the engineer is reasonable. In the event the user refuses 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 this user 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. For your convenience, Form RD 1942-19, "Agreement for Engineering Services," or EJCDC No. 1910-1, "Standard Form of Agreement between Owner and Engineer for Professional Services" may be used to obtain the services of an engineer. A copy of Form RD 1942-19 is attached hereto. The EJCDC document is issued under copyright and cannot be provided by RUS.
6. Legal Services - You must 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 - You must 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 for your PSD. The attached booklets, "Government Auditing Standards (Revised 1994)" (Attachment No. 8) and RUS Bulletin 1780-30 (Attachment No. 9) 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
 - 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. 1. 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) "Agreement" (RUS Bulletin 1780-13) and Attachments 1 through 9, or other agreement approved by RUS. One copy of this item is attached hereto (Attachment No. 6).
 - (2) "Supplemental General Conditions" (RUS Bulletin 1780-14). One copy of this item is attached hereto (Attachment No. 7). Additional copies must be reproduced by the engineer.
 - (3) "Labor Standards Provisions" - Title 29, Subtitle A, Part 5, Section 5.5, Contract Provisions and Related Matters. One copy of this item is attached hereto (Attachment No. 13). Additional copies must be reproduced by the engineer.
- 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.
 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 funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to the Rural Utilities Service. 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. Other Grants - Prior to advertisement for construction bids, you must provide evidence showing the approval of the ARC grant. This evidence should include a copy of the grant award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the "other" grant funds are available for expenditure. This evidence should consist of at least a letter from the grantor stating the funds are available for expenditure.
 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-1, "Certification for Contracts, Grants and Loans"
Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)

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.

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

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.

In accordance with the intent of Congress as expressed in the FY 1997 Appropriations Act, recipients of water and waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

Please complete and return the enclosed Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

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,


BOBBY LEWIS
State Director

Enclosures

cc: Administrator, RUS
ATTN: Water and
Environmental Programs
Washington, DC

Rural Development Specialist
Beckley, WV

Jeffrey Feamster
Certified Public Accountant
Lewisburg, WV

Calleghan and Ruckman
Attorneys at Law
Summersville, WV

Bond Counsel

Stafford Consultants, Inc.
Princeton, WV

Project Construction Budget

<u>Project Cost</u>	<u>ARC</u> <u>Grant</u>	<u>RUS</u> <u>Grant</u>	<u>RUS</u> <u>Loan</u>	<u>Total</u>
Construction	\$ 392,700	\$ 235,600	\$ 571,700	\$ 1,200,000
Construction Contg.	27,500	16,500	40,000	84,000
Land and Rights	1,900	1,200	2,900	6,000
Legal Fees	5,900	3,500	8,600	18,000
Engineering Fees	60,200	36,100	87,700	184,000
Basic \$101,000				
Inspection \$74,000				
Special \$9,000				
Bond Counsel	2,900	1,800	4,300	9,000
Interest			36,000	36,000
Accounting	1,000	600	1,400	3,000
Project Contg.	7,900	4,700	11,400	24,000
Total	\$ 500,000	\$ 300,000	\$ 764,000	\$ 1,564,000

Rates - Available for general domestic, commercial and industrial service.

First	3,000 gals. @	\$6.45 per M gals.
Next	7,000 gals. @	\$5.20 per M gals.
Next	10,000 gals. @	\$ 4.40 per M gals.
Over	20,000 gals. @	\$ 4.03 per M gals.

Minimum Charge - No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4" meter -	\$19.35 per month
3/4" meter -	\$29.03 per month
1" meter -	\$48.38 per month
1 1/2" meter -	\$96.75 per month
2" meter -	\$154.80 per month
3" meter -	\$290.25 per month
4" meter -	\$483.75 per month
6" meter -	\$967.50 per month
8" meter -	\$1,548.00 per month

(Minimum Monthly Bill \$19.35 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 \$235.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis

306	users @	3,000	gallons @	\$ 19.35	per user =	\$5,921.10	monthly
109	users @	4,000	gallons @	\$ 24.55	per user =	\$2,675.95	monthly
66	users @	5,000	gallons @	\$ 29.75	per user =	\$1,963.50	monthly
44	users @	6,000	gallons @	\$ 34.95	per user =	\$1,537.80	monthly
30	users @	7,000	gallons @	\$ 40.15	per user =	\$1,204.50	monthly
15	users @	8,000	gallons @	\$ 45.35	per user =	\$680.25	monthly
12	users @	9,000	gallons @	\$ 50.55	per user =	\$ 606.60	monthly
6	users @	10,000	gallons @	\$ 55.75	per user =	\$ 334.50	monthly
5	users @	13,000	gallons @	\$ 68.95	per user =	\$ 344.75	monthly
1	users @	423,000	gallons @	\$ 1,723.84	per user =	\$ 1,723.84	monthly

594 Total Users

\$16,992.79 Monthly Revenue x 12 = \$203,913.48 Annual Revenue

Budget

Income		\$203,913.48
Expenses		
O & M	\$137,300	
*Debt Service	62,284	
**Debt Service Reserve	2,104	
***Depreciation Reserve	2,104	
		\$203,792.00
Balance and Depreciation		\$ 121.48

Operating and Maintenance Expenses

Personnel Services	\$79,000
Contractual Services	3,100
Materials and Supplies	6,500
Maintenance	11,800
Utilities	27,700
Administrative and General	9,200

TOTAL	<u>\$137,300</u>
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*Existing Debt Service -	\$16,200 (1970 Bond - GECC)
	4,000 (1971 Bond - GECC)
Proposed Debt Service -	42,084

Total Debt Service -	<u>\$62,284</u>
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** Existing Debt Service Reserve	\$ 0 (Fully Funded)
Proposed Debt Service Reserve	2,104

Total Debt Service Reserve	<u>\$2,104</u>
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*** Existing Depreciation Reserve	\$ 0 (Fully Funded)
Proposed Depreciation Reserve	2,104

Total Depreciation Reserve	<u>\$2,104</u>
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Attachment No. 2 to Letter of Conditions
 For: Danese Public Service District
 Date: December 17, 1998

UNITED STATES DEPARTMENT OF AGRICULTURE
 RURAL UTILITIES SERVICE
 Water and Waste Processing Checklist

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	App.		Have	3
	Public Notice of Intent to File App. / Environ. Notice	1	1780.19(a) 1940-G	App.		HAVE	3
	Regional Planning & Development Council Review	2	1780.33(b)	App.		Have	3
	State Clearing-house Review or IJDC Review	2	1780.33(b)	App.		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Eng.		Have	6
	Bond Ordn. or Resol. on Outstanding Debts	1	1780.33(e)	App./Atty.		Have	2
	Bonds or Notes Outstanding Debts	1	1780.33(e)	App./Atty.		Have	2

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Audit for last year of operation	1	1780.33(e)	App./Acct.		Have	1
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	App.		HAVE	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	App.			5
(NPA's Only)	Organizational Documents	1	1780.33(e)	App./Atty.		N/A	5
RD 1940-20	Request for Env. Info/ Attachments	2	1780.33(f)	App./Eng.		Have	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	App.		HAVE	3
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	App.		HAVE	2
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	2	1940-G	RUS/Eng.		HAVE	3
	Site Visit		S.I. 1780-2	RUS		HAVE	3
	Statement from Historical Preservation Office	2	Exhibit H 1940-G	App.		HAVE	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Comments from Dept. of Commerce, Labor & Environ. Resources (DEP)	2	Exhibit H 1940-G	App.		HAVE	3
	Comments from U.S. Fish and Wildlife Service (Endangered Species)	2	Exhibit H 1940-G	App.		HAVE	3
	Comments from U.S. Forest Service (Wild & Scenic Rivers)	2	Exhibit H 1940-G	App.			3
	Farmland Conversion Impact Rating	1	Exhibit H 1940-G	RUS/ NRCS		HAVE	3
	FEMA Standard Flood Hazard Determination	2	1940-G	RUS/Eng.			3
	Civil Rights Impact Analysis Certification	2	1940-G	RUS/Eng.		HAVE	3
	FONSI / Evidence of Publication	1	Exhibit 1 RD 1940-G News Ad	RUS/App.		HAVE	3
	Copy of Existing Rate Tariff	2	1780.33	App.		Have	8
	Applicant's IRS Tax Number (TIN)	1	1780.33(g)	App.		Have	3
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Review for Outstanding Judgment	1	1780.7(g)	RUS/Atty.			3
	Processing Conference	1	1780.39(a)	RUS			3
	Staff Engineer PER Review	1	1780.33(c)	RUS			6
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
	Bill Analysis for existing system(s)	2	1780.33(c)	App./Eng.		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	App./Eng.		Have	8
	Statement reporting the <u>total</u> number of <u>potential</u> users		1780.33(c)	App./Eng.		Have	8
RD 1942-19 or other approved	Agreement between Owner & Engineer	3	1780.39(b)	App./Eng.		HAVE	6
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	App./Atty.			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	App./ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	App./Acct.			5
	Documentation on Service Area	1	1780.11	RUS		HAVE	3
	Relationships/ Associations with Agency Employees	1	1780.1(f)			HAVE	3
Auto. Form	Grant Determination	3	1780.35(b)	RUS		Have	
RD 1942-45	Project Summary	3	1780.41(a)	RUS		Have	1
RD 442-7	Operating Budget	3	1780.33(h)	App.		HAVE	3
RD 1942-14	Project Fund Analysis	3	1780.41(a)	RUS		Have	2
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		Have	1
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	App.		HAVE	3
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/App.		HAVE	2

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	3. List of Declination Statements Numbered to Map	1	LOC	App.			5
	4. Evidence of Tap Fees Being Paid	1	LOC	App.			5
	5. Having Users Agreements and Declination Statements Available		LOC	App.			
	6. Certification Relative to Existing Users	1	LOC	App.			5
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	App.			5
	Verification of Users	1	1780.44(b)	RUS			3
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Eng.			Sep. File
	Deeds and/or Options		1780.44(g)	App./Atty.			
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	App./Atty.			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	App./Atty.			5
	Narrative Opinion from Attorney	1	1780.44(g)	Atty.			5
	Waiver of Title Defects Letter	1	1780.44 (g)(2)(ii)	RUS			
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Atty.			5
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	App.		HAVE	5
	Copy of PSC Rule 42 Exhibit	1	State	Atty./Acct.			3
Lender Agrmnt/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	App./RUS			1
RD 400-1	Equal Opportunity Agreement	1	1901-E	App.		HAVE	6
RD 400-4	Assurance Agreement	1	1901-E	App.		HAVE	3
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Sep. File
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	DOH Permit	1	1780.15(d)	App.			6
	Railroad Permits	1	1780.15(d)	App.			6
	Public Land Corp. Permit	1	1780.15(d)	App.			6
	Contract Documents, Plans and Specifications	2		Eng.			Sep. File
	Dept. of Health Approval	1	1780.15(d)	Eng.			6
400-8	Comp. Review	1	1901-H 1901.204	RUS			5
1924-16	Record of PreConstruction Conference	1	1780.76(a)	RUS/Eng.			6
	Bid Tabulation	1	1780.61(b)	Eng.			6
	Resume' of Inspector	1	1780.76(c)	Eng.			6
	Liability Insurance		1780.39(g)	App.			7
	Workers' Compensation Certificate	1	1780.39(g)	App.			7
	Flood Insurance Policy	1	1780.39(g)	App.			7
440-24	Fidelity Bond	1	1780.39(g)	App.			7
	OGC Final Opinion	1	1780.45(g)	RUS			5



United States
Department of
Agriculture

Rural
Development

Federal Building
75 High Street, Room 320
Morgantown, WV 26505-7500
Phone (304) 284-4888
FAX (304)284-4892
TTY/TDD (304) 284-4836

Bond Counsel

June 28, 2001

Sterley C. Flanagan, Jr., Chairman
Danese Public Service District
P.O. Drawer C
Danese, WV 25831

RE: Amendment No. 1 to Letter of Conditions

Dear Mr. Flanagan:

This letter, with Attachment No. 1 amends the letter of conditions dated December 17, 1998 and further 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 a reduced RUS loan in the amount of \$692,000, an initial RUS grant in the amount of \$300,000, a subsequent RUS grant in the amount of \$72,000, and other funding in the amount of \$500,000, for a total project cost of \$1,564,000. The other funding is planned in the form of a grant from the West Virginia Infrastructure and Jobs Development Council.

Subject to the requirements noted herein, all of the conditions of the December 17, 1998 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

The interest rate for the \$692,000 loan 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)

The conditions referred to above are as follows:

1. Loan Repayment – The reduced loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. The remaining 456 months will be equal amortized monthly installments. For planning purposes, use a 4.5% interest rate and a monthly amortization factor of .00459, which provides for a monthly payment of \$3,177.00.
2. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.
3. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 – “Water or Waste System Grant Agreement”

Form RD 442-7 - “Initial Operating Budget”

Form RD 1940-1 - “Request for Obligation of Funds”

RUS Bulletin 1780-27 – “Loan Resolution”

Form RD 1942-46 - “Letter of Intent to Meet Conditions”

4. Users – This conditional commitment is based upon you providing evidence that you will have at least 538 bona fide users on the proposed system when it has been completed and is placed in operation. This is a decrease of 56 bona fide users. This evidence will consist of 27 signed user agreements (decrease of 75 new users) 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.

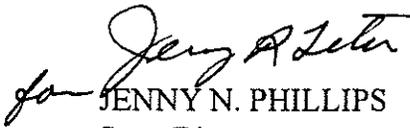
Please complete and return the enclosed Form RD 1942-46, “Letter of Intent to Meet Conditions,” if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six 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 PSD 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,


for JENNY N. PHILLIPS
State Director

Enclosures

cc: Rural Development Manager, Beckley
ATTN: Rural Utilities Service

Imre D. Pentek, CPA
Lewisburg, WV

James C. Blankenship III, Esquire
Fayetteville, WV

John C. Stump, Esquire
Steptoe and Johnson, PLLC
Charleston, WV

Stafford Consultants, Inc.
Princeton, WV

Project Construction Budget

<u>Project Cost</u>	<u>WVIJDC Grant</u>	<u>RUS Grant</u>	<u>RUS Loan</u>	<u>Total</u>
Construction	401,010	298,600	526,490	1,226,100
Construction Contingency	18,420	13,700	24,100	56,220
Land and Rights	1,900	1,500	2,600	6,000
Legal and Administrative Fees	5,900	4,400	7,700	18,000
Engineering Fees	60,780	45,200	79,700	185,680
Basic - \$100,420				
Inspection - \$73,500				
Special - \$11,760				
Bond Counsel	2,900	2,200	3,900	9,000
Interest			36,000	36,000
Accounting	1,000	700	1,300	3,000
Project Contingency	8,090	5,700	10,210	24,000
TOTALS	500,000	372,000	692,000	1,564,000

Rates - Available for general domestic, commercial and industrial service.

First	3,000 gals. @	\$6.60 per M gals.
Next	7,000 gals. @	\$5.32 per M gals.
Next	10,000 gals. @	\$4.50 per M gals.
Over	20,000 gals. @	\$4.03 per M gals.

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4" meter -	\$19.80 per month
3/4" meter -	\$29.70 per month
1" meter -	\$49.50 per month
1 1/2" meter -	\$99.00 per month
2" meter -	\$158.40 per month
3" meter -	\$297.00 per month
4" meter -	\$495.00 per month
6" meter -	\$990.00 per month
8" meter -	\$1,584.00 per month

Minimum Monthly Bill \$19.80 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 \$235.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis

245 users @	3,000 gallons @	\$19.80 per user =	\$4,851.00 monthly
96 users @	4,000 gallons @	\$25.12 per user =	\$2,411.52 monthly
72 users @	5,000 gallons @	\$30.44 per user =	\$2,191.68 monthly
45 users @	6,000 gallons @	\$35.76 per user =	\$1,609.20 monthly
30 users @	7,000 gallons @	\$41.08 per user =	\$1,232.40 monthly
19 users @	8,000 gallons @	\$46.40 per user =	\$881.60 monthly
11 users @	9,000 gallons @	\$51.72 per user =	\$568.92 monthly
8 users @	10,000 gallons @	\$57.04 per user =	\$456.32 monthly
11 users @	13,000 gallons @	\$70.54 per user =	\$775.94 monthly
1 users @	423,000 gallons @	\$1,726.13 per user =	\$1,726.13 monthly

538 Total Users

\$16,704.71 Monthly Revenue x 12 = \$200,456.52 Annual Revenue

Budget

Income		200,456.52
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Expenses

O&M (B)	138,000
*Debt Service	58,324
**Debt Service Reserve	1,906
***Depreciation Reserve	1,906

Total	<hr/>	200,136.00
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Balance and Depreciation		<hr/> 320.52
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Operating and Maintenance

Expenses

Personnel Services	75,500
Contractual Services	2,000
Materials and Supplies	7,500
Maintenance	11,500
Utilities	21,500
Administrative and General	13,500
Taxes	6,500

TOTAL	<hr/> 138,000
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*Existing Debt Service	16,200 (1970 Bond - GECC)
	4,000 (1971 Bond - GECC)
Proposed Debt Service	38,124

Total Debt Service	<hr/> 58,324
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**Existing Debt Service Reserve	0 (Fully Funded)
Proposed Debt Service Reserve	1,906

Total Debt Service Reserve	<hr/> 1,906
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***Existing Depreciation Reserve	0 (Fully Funded)
Proposed Depreciation Reserve	1,906

Total Depreciation Reserve	<hr/> 1,906
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DANESE PUBLIC SERVICE DISTRICT

DRAWER C • DANESE, WV 25831

PHONE (304) 438-6686

July 2, 2001

Steptoe & Johnson
Attorneys At Law
PO Box 2190
Clarksburg, WV 26302-2190

RE: Amendment No. 1 Letter of Conditions

To Whom It May Concern:

Enclosed you will find Amendment No. 1 to the Letter of Conditions of December 17, 1998. Please feel free to call if you need any additional information.

Sincerely yours,



Cynthia M. Jones
Office Manager



UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

481 RAGLAND ROAD
BECKLEY, WV 25801
PHONE (304) 252-8644
FAX (304) 252-5809
TTY/TDD (304) 284-4836

August 2, 2002

Richard Kinder, Chairman
Danese Public Service District
P. O. Drawer C
Danese, WV 25831

Dear Mr. Kinder:

The pre-closing date for the PSD's water project has been established as August 20, 2002. The pre-closing will begin at 10:00 a.m. at the PSD office followed by the pre-construction conference at 11:00 a.m.

Reference is made to our Letter of Conditions dated December 17, 1998 and its Amendment dated June 28, 2001. All of the requirements of that letter must be met.

Many of the aforementioned items have already been addressed. Those remaining items to be satisfied prior to loan closing include:

1. The PSD's attorney must furnish Form RD 442-22, "Opinion of Counsel Relative to Rights of Way," showing no exceptions. This form should be dated August 22, 2002.
2. The PSD's attorney must furnish Form RD 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 August 22, 2002.
3. The permit from the West Virginia Department of Highways must be on hand at the closing. The PSD should proceed to obtain necessary bond and forward same to the WVDOH requesting the permit be issued.
4. A certificate from the PSD's accountant that the accounts and records required by the bond resolution and the PSC have been established and are operational. The chart of accounts and record keeping books must be available for review at loan closing.
5. The PSD must provide evidence that it has acquired insurance and bond coverage in accordance with item 11 of the Letter of Conditions.

6. The PSD must furnish evidence that it provides State Workman's Compensation Insurance.
7. Revised "Agreement with Accountant" between the PSD and Jeffrey S. Feamster, CPA, per our letter of May 28, 2002.

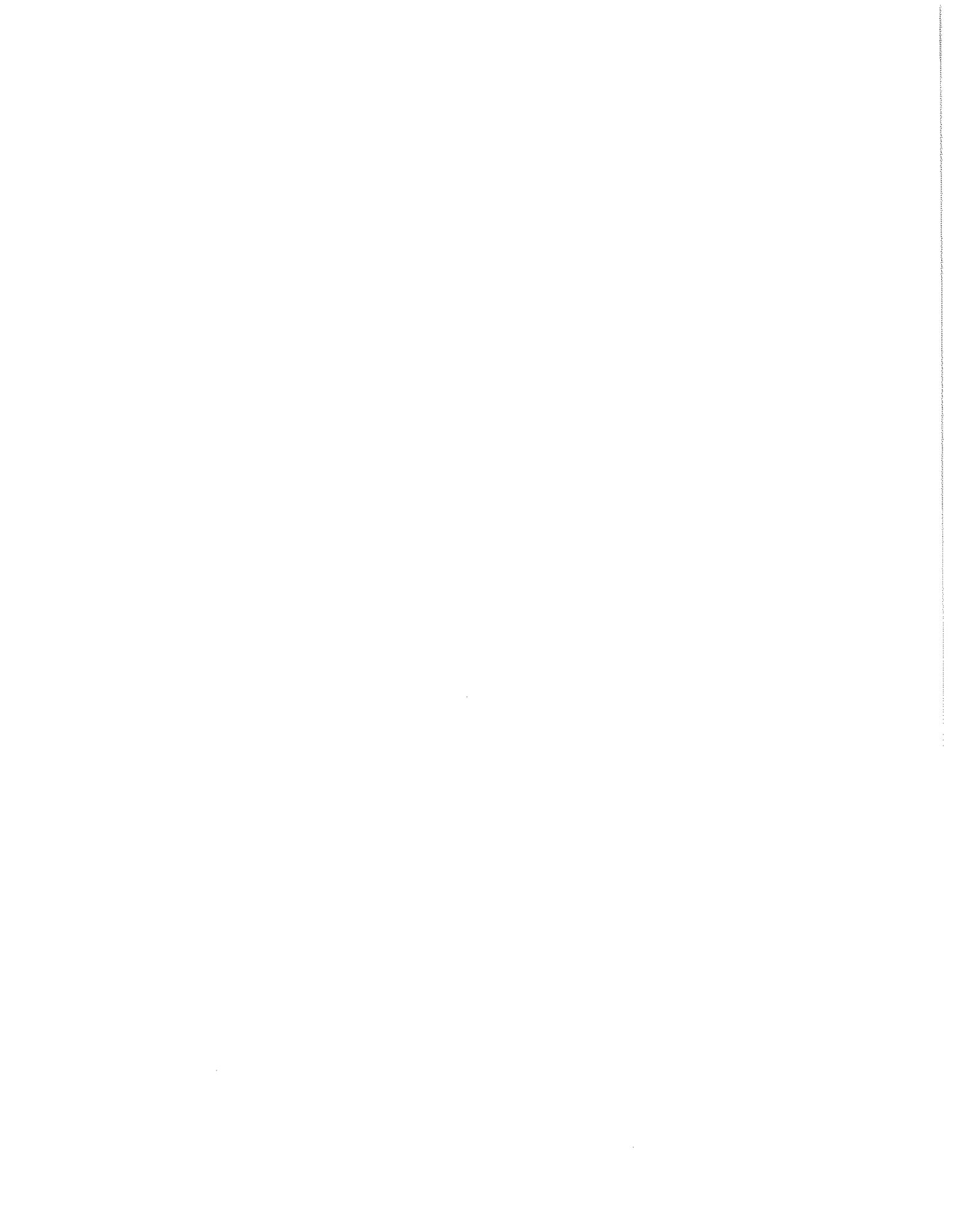
If you have any questions regarding these or any other matters pertaining to your loan, please contact this office.

Sincerely,

Rose Mary Christian
Rural Development Specialist

Enclosures

cc: State Director, Rural Development, Morgantown, WV
James C. Blankenship, II, Attorney at Law, Fayetteville, WV
John Stump, Steptoe & Johnson Bond Counsel, Charleston, WV
Jeffrey S. Feamster, CPA, Lewisburg, WV
Randy Bolton, Stafford Consultants, Inc., Princeton, WV



Water and Waste System Grant Agreement
United States Department of Agriculture
Rural Utilities Service

THIS AGREEMENT dated June 28, 2001, between

Danese 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) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ 1,564,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 1,192,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 1,192,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 372,000 or 75 percent of said project 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 for the purpose only of defraying a part not to exceed 75 percent of the project 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.

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, 04/17/1998]

(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).

That water facility owned by Danese PSD providing service and extending into Loop Road and Pita Me areas of Fayette County. The facility includes approximately 27,630 L.F. of 10", 8", and 6" PVC waterline, one booster station, one pressure reducing station, 3 water storage tanks (55,500 gallons, 80,000 gallons, 90,000 gallons) and appurtenances.

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, 04/17/1998]

1. 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 Federally sponsored projects.

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).

N/A

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 (33 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, 11/20/1997]

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, 11/20/1997]

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 \$ 372,000 which it will advance to Grantee to meet not to exceed 75 percent of the project development costs of the 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

Chairman _____

and attested and its corporate seal affixed by its duly authorized

Secretary _____

Attest:

_____ James Public Service District

By [Signature] _____
STERLEY C. FLANAGAN, JR.
(Title) Chairman

By [Signature] _____
(Title) Secretary

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By [Signature] _____ Rural Development Specialist
ROSE MARY CHRISTIAN (Title)
8/22/02



2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Council and the Authority.

3. The monthly requisition will also set forth (i) the amounts requested for that requisition period from all other funding agencies, and (ii) the amounts advanced for the Project to date from all other funding agencies.

4. The Governmental Agency will use the proceeds of the Grant only for the purposes specifically set forth in Exhibit A.

5. The Governmental Agency shall comply with and is bound by the Council's rules set forth as Title 167, Series 1 and more particularly Section 5.9 with respect to the sale of the Project.

6. The Governmental Agency acknowledges that the Grant may be reduced, from time to time, to reflect actual Project costs and availability of other funding.

7. The Governmental Agency shall list the Grant provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project.

8. This Grant Agreement shall be governed by the laws of the State of West Virginia.

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

Danese Public Service District

By: Richard Kinder

Its: Chairman

Date: August 22, 2002

SEAL

ATTEST

Lawrence R. Boley

Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

By: Denise B. Yorkash

Its: Director

Date: 9.03.02

SEAL

ATTEST

Barbara B. Meadows

Its: Secretary-Treasurer

Exhibit A

Project Description

The Project consists of water distribution system improvements consisting of approximately 6,850 L.F. 10-inch, 21,922 L.F. 8-inch, 10,180 L.F. 6-inch and smaller water distribution lines, valves, hydrants and appurtenances. Also included in the project is a 50 gallon per minute booster pump station with telemetry system, construction of one 90,000 gallon , one 80,000 gallon and one 15,000 gallon water storage tank along with grading, access road, site piping, valve vault, and connection to existing storage tanks.

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of Branch Banking and Trust Company, Oak Hill, West Virginia (the "Bank"), hereby certify that on August 22, 2002, the Bank received an automated transfer in the amount of \$104,013.73 to the credit of the Project Construction Account, Account Number 5173009358 for the Series 2002 A Bonds.

WITNESS my signature on this 22nd day of August, 2002.

BRANCH BANKING AND TRUST COMPANY

By: Debby Glover
Its: Authorized Officer

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