

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

BOND TRANSCRIPT

Closing Date: September 24, 2009

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DANESE PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)**

BOND RESOLUTION

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DANESE PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC 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 \$1,351,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2009 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, 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 constructed and designed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting construction of 47,000 LF of 8" water line, 167,700 LF of 6" of water line, 30,800 LF of 2" water line, four (4) 4 1/2" PRV stations, one (1) 130 G.P.M. duplex water booster station, and one (1) 146,000 gallon water storage tank together with all necessary appurtenant facilities to serve 325 customers in the Clifftop, Hilton Village, Ravenseye, Corliss, Russellville, Loops Road, Beelock Knob and upper portion of Smoky Branch Road in Fayette County (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 design 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 design of the Project is \$9,271,088 of which \$1,351,000 will be obtained from the proceeds of sale of the Series 2009 A Bonds, herein authorized.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2009 A (United States Department of Agriculture), in the aggregate principal amount of \$1,351,000 (the "Series 2009 A Bonds"), to permanently finance a portion of the cost of such acquisition and construction in the manner herein 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 2009 A Bonds prior to, during and for six months after completion of such design of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and 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; 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 2009 Bonds as to liens, pledge and source of and security for payment being the Issuer's Water Revenue Bonds, Series 2002 (United States Department of Agriculture), dated August 22, 2002,

issued in the original aggregate principal amount of \$692,000 (the "Series 2002 Bonds" or "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 2009 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 2009 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated April 11, 2007, 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 2009 A Bonds, or will have so complied prior to issuance of the Series 2009 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 2009 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 2009 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 2009 A Bonds and the Prior Bonds.

“Chairman” means the Chairman of the Governing Body.

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

“Consulting Engineer” means E.L. Robinson Engineering Company, Beckley, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

“Costs” or “Costs of the Project” means those costs described in Section 1.02 (F) hereof.

“Depository Bank” means Branch Banking & Trust Company, Charleston, 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, 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 April 11, 2007, 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 2009 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 the Series 2002 Bonds.

“Prior Resolution” means, collectively, the resolutions of the Issuer, respectively, adopted authorizing the issuance of the Prior Bonds.

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

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

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal

Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

(h) The West Virginia “consolidated fund” managed by the West Virginia Board of Treasury Investments to Chapter 12, Article 6C 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 Bonds” means the Issuer’s Water Revenue Bonds, Series 2002 (United States Department of Agriculture), dated August 22, 2002, issued in the original aggregate principal amount of \$692,000.

“Series 2009 A Bonds” means the Water Revenue Bonds, Series 2009 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

“Series 2009 A Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2009 A Bonds in the then current or any succeeding year.

“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 Payment 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 \$9,271,088, 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 Project is estimated to cost \$9,271,088 of which \$1,351,000 will be obtained from proceeds of the Series 2009 A Bonds, \$1,370,000 will be obtained as a grant from the Purchaser, \$1,500,000 will be obtained as an Appalachian Regional Commission grant and approximately \$5,050,088 will be obtained from an Abandoned Mine Lands grant.

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 2009 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2009 A (United States Department of Agriculture)", are hereby authorized to be issued in the aggregate principal amount of \$1,351,000, for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project, and (ii) paying certain costs of issuance and related costs not otherwise provided for.

Section 3.02. Description of Bonds. The Series 2009 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 2009 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.125% per annum, and shall be sold for the par value thereof. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$5,877, 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.

The Series 2009 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 2009 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 2009 A Bonds, and the right to principal of and stated interest on the Series 2009 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 2009 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 2009 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 2009 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2009 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 2009 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2009 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 2009 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2009 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 2009 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 2009 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 2009 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 2009 A Bonds shall cease to be such officer of the Issuer before the Series 2009 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 2009 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 2009 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 2009 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2009 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 2009 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 2009 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 2009 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 2009 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)

UNITED STATES OF AMERICA
DANESE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2009 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$ _____

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 _____ (\$ _____), plus interest on the unpaid principal balance at the rate of _____ % 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 \$ _____, 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 is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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 _____, 2009, 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 Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2002 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED AUGUST 22, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$692,000 (THE "SERIES 2002 BONDS" OR "PRIOR BONDS").

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

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:

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

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

ATTEST:

(Signature of Attesting Official)

Secretary:

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

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

- (1) Revenue Fund (established by Prior Resolution);
- (2) Series 2009 A Bonds Project Construction Account; and
- (3) Renewal and Replacement Fund (established by Prior Resolution as "Depreciation Reserve" and hereby renamed).

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

- (1) Series 2002 Bonds Reserve Account (established by Prior Resolution);
and
- (2) Series 2009 A Bonds Reserve Account.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2009 A Bonds shall be deposited upon receipt by the Issuer in the Series 2009 A Bonds Project Construction Account. The monies in the Series 2009 A Bonds 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 Series 2009 A Bonds Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2009 A Bonds 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 Series 2009 A Bonds 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 2009 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 Series 2009 A Bonds 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 Series 2009 A Bonds 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 2009 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2009 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2009 Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2009 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 thereof, transfer from the Revenue Fund and simultaneously remit (i) to the National Finance Office the amount required by the Prior Resolutions to pay the interest on the Series 2002 Bonds; and (ii) to the National Finance Office the amount required to pay interest on the Series 2009 A Bonds.
- (3) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously, on or before the due date thereof, remit (i) to the National Finance Office the amount required by the Prior Resolutions to pay the principal of the Series 2002 Bonds; and (ii) remit

to the National Finance Office, commencing 24 months following the date of delivery of the Series 2009 A Bonds, the amount required to amortize the principal of the Series 2009 A Bonds.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the Commission the amounts required by the Prior Resolutions to be deposited in the Reserve Account for the Series 2002 Bonds; 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 in the Series 2009 A Bonds Reserve Account, an amount equal to 10% of the monthly payment amount, until the amount in the Series 2009 A Bonds Reserve Account equals the Series 2009 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2009 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2009 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Commission and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Accounts (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

Whenever the money in the Series 2009 A Bonds Reserve Account shall be sufficient to prepay the Series 2009 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2009 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2009 A Bonds Reserve Account. All amounts required for the Series 2009 A Bonds Reserve

Account 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 shall constitute a Trust Fund 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 2009 A Bonds and the interest thereon, on a parity with the Prior Bonds.

The Series 2009 A Bonds Reserve Account shall constitute a trust fund 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 2009 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 2009 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission shall keep the monies in the Series 2009 A Bonds Reserve Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. 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 2009 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually by the Commission to the Issuer and deposited in the Revenue Fund.

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

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2009 A Bonds, provide evidence that there will be at least 737 bona fide users upon the System 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.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2009 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2009 A Bonds Reserve Account, sums sufficient to prepay the entire principal of the Series 2009 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 2009 A Bonds.

Section 5.02. Rates. So long as the Prior Bonds are outstanding, the Issuer will maintain rates as required in the Prior Resolutions. So long as the Series 2009 A Bonds are outstanding, 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 2009 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. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System or any part thereof, except as provided in the Prior Resolutions. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2009 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No additional Parity Bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser. No Parity Bonds shall be issued after issuance of the Series 2009 A Bonds unless the provisions contained in the Prior Resolution respecting issuance of Parity Bonds have been satisfied.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2009 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of additions extensions, improvements or betterments to the System or refunding any outstanding Bonds, or both such purposes.

So long as the Series 2009 A Bonds and the Series 2002 Bonds are Outstanding, 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 Resolution then Outstanding; and
- (3) The Parity Bonds than proposed to be issued.

The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds, representing 75% of the then-outstanding principal indebtedness.

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 2009 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 2009 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 such amount as may be requested by the Purchaser from time to time.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2009 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 2009 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 2009 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 2009 A Bonds at the date specified for payment thereof;
- (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 2009 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law; and
- (c) If a default occurs with respect to the Prior Bonds or the Prior Resolutions.

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

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct; provided that, all rights and remedies of the Holders of the Prior Bonds shall be on a parity with the Series 2009 A Bonds.

Section 5.09. Fiscal Year; Budget. While the Series 2009 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 2009 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 consistent with the provisions hereof, shall be as set forth in the Recommended Decision entered on January 28, 2009 which became Final Order of the Public Service Commission of West Virginia on March 27, 2009, in Case No. 08-1837-PWD-CN and are 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 2009 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 2009 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 2009 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2009 A Bonds, the Issuer may not defease the Series 2009 A Bonds or otherwise provide for payment thereof by escrow or like manner.

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

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2009 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 2009 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) or the Prior Resolutions.

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 Date. This Resolution shall take effect immediately upon its adoption.

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Adopted this 22nd day of September, 2009.

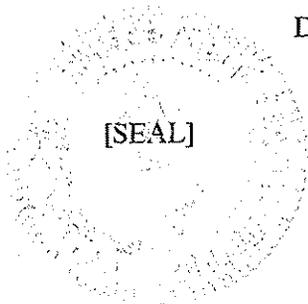
DANESE PUBLIC SERVICE DISTRICT

By: Richard Kunda
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of DANESE PUBLIC SERVICE DISTRICT on the 22nd day of September, 2009.

Dated: September 24, 2009.



Lawrence R. Boley
Secretary

09.04.08
210780.00001

DANESE PUBLIC SERVICE DISTRICT

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

BOND RESOLUTION

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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 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

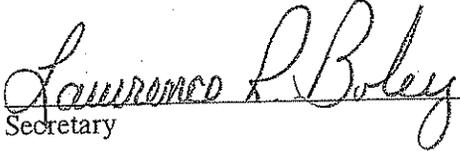

Chairman

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

SPECIMEN

DANESE PUBLIC SERVICE DISTRICT

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

\$692,000

Date: August 22, 2002

No. AR-1

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]

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

ATTEST:

Lawrence R. Boley
Secretary, Public Service Board

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$104,013.73	August 22, 2002	(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 \$ _____

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



**United States Department of Agriculture
Rural Development**
West Virginia State Office

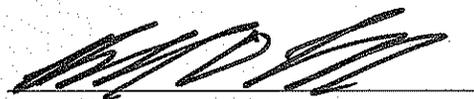
September 24, 2009

Danese Public Service District
Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the Prior Bonds, hereinafter defined and described, hereby (a) consents to the issuance of the Water Revenue Bonds, Series 2009 A (United States Department of Agriculture), in the original aggregate principal amount of \$1,351,000 (the "Bonds"), by Danese Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Bonds (the "Resolution"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 2002 (United States Department of Agriculture), dated August 22, 2002, issued in the original aggregate principal amount of \$692,000 (the "Series 2002 Bonds" or "Prior Bonds") and (b) waives any requirements imposed by the Prior Bonds or the resolution authorizing the Prior Bonds (collectively, the "Prior Resolutions"), regarding the issuance of parity bonds which are not met by the Bonds or the Resolution, and (c) consents to any amendments made to the Prior Resolutions by the Resolution.

WITNESSETH my signature on this 24th day of September, 2009.



State Director

Federal Building • 1550 Earl Core Road, Suite 101 Morgantown, WV 26505 -7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: <http://www.rurdev.usda.gov/wv>

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W.,
Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).



**United States Department of Agriculture
Rural Development
West Virginia State Office**

September 4, 2009

~~Richard Kinder, Chairman
Danese Public Service District
Drawer C
Danese, WV 25831~~

RE: Amendment No. 1 to
Letter of Conditions

Dear Mr. Kinder:

This letter, with Attachment No. 1 amends the letter of conditions dated April 11, 2007 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 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 RD loan in the amount of \$1,351,000, an RD grant in the amount of \$1,370,000, and other funding in the amount of \$6,550,087.91, for a total project cost of \$9,271,087.91. The other funding is planned in the form of a grant from the Abandoned Mine Lands Program in the amount of \$5,050,087.91 and an ARC/SCGB in the amount of \$1,500,000.

Subject to the requirements noted herein, all of the conditions of the April 11, 2007 letter of conditions remain in effect and must be satisfied prior to loan and grant 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)

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26505-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: <http://www.rurdev.usda.gov/wv>

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"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W.,
Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RD 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 Public Service District 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, RD 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,


DIANE GOFF CRYSLER
Acting State Director

Enclosures

cc: Area Specialist
Beckley, WV

Imre D. Pentek, CPA
P. O. Box 1390
Lewisburg, WV 24901

James C. Blankenship III
Attorney at Law
P. O. Box 326
Fayetteville, WV 25840

Eric Coberly
WVDEP Abandoned Mine Lands Program
6010 57th St. S.E., Box 20
Charleston, WV 25304-2345

Region IV Planning & Development Council
425 Main Street, Suite A
Summersville, WV 26651

Ray Tilley, E. L. Robinson
207 Brookshire Lane
Beckley, WV 25801

~~Steptoe & Johnson~~
Attorneys at Law
P. O. Box 1588
Charleston, WV 25326-1588

Attachment No. 1 to Amended Letter of Conditions
 For: Danese Public Service District
 Date: September 4, 2009

Project Construction Budget

<u>PROJECT COST</u>	<u>AML GRANT</u>	<u>SCBG/ ARC</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 5,050,087.91	\$ 978,800.00	\$ 115,323.84	\$ 832,000.00	\$ 6,976,211.75
CONTINGENCY			\$ 740,000.00		\$ 740,000.00
LAND & RIGHTS				\$ 20,000.00	\$ 20,000.00
LEGAL FEES		\$ 29,200.00			\$ 29,200.00
BOND COUNSEL				\$ 16,000.00	\$ 16,000.00
ACCOUNTING		\$ 5,000.00			\$ 5,000.00
ENGINEERING FEES		\$ 425,000.00	\$ 198,000.00	\$ 372,000.00	\$ 995,000.00
Basic - \$ 575,000					
Insp. - \$ 385,000					
Special - \$ 35,000					
INTEREST				\$ 111,000.00	\$ 111,000.00
PERMITS		\$ 2,000.00			\$ 2,000.00
ADMINISTRATION		\$ 60,000.00			\$ 60,000.00
PROJECT CONTG.			\$ 316,676.16		\$ 316,676.16
TOTAL	\$ 5,050,087.91	\$ 1,500,000.00	\$ 1,370,000.00	\$ 1,351,000.00	\$ 9,271,087.91



Bond Counsel
210780.00001

**United States Department of Agriculture
Rural Development**
West Virginia State Office

April 11, 2007

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

Dear Mr. Kinder:

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 \$1,351,000, an RUS grant in the amount of \$1,370,000, and other funding in the amount of \$1,500,000, for a total project cost of \$4,221,000. The other funding is planned in the form of a grant from the HUD Small Cities Block Grant program.

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 (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)
- Attachment No. 6 - RUS Supplemental General Conditions (Engineer Copy)
- Attachment No. 7 - RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance"
- Attachment No. 8 - Government Auditing Standards (Revision 2003) (Accountant Copy)

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26705-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
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- Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
- Attachment No. 10 - RUS Bulletin 1780-31, "Water Programs Compliance Supplement for OMB Circular A-133 Audits"
- Attachment No. 11 - Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 12 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 13 - Sample Credit Agreement (Applicant Copy)
- Attachment No. 14 - Various other RD Forms as identified on Attachment No. 2

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 4.125% interest rate and a monthly amortization factor of 0.00435, which provides for a monthly payment of \$5,877. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien of equal priority with the PSD's outstanding water revenue bonds, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.
3. Users - This conditional commitment is based upon you providing evidence that you will have at least 737 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 178 signed user agreements and a signed 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 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.

4. Bond Counsel Services - 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. Accounting Services - It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
 - b. Prior to loan/grant closing, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

The Accountant's Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

RUS regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your PSD. The attached booklets, "Government Auditing Standards (Revised 2003)" (Attachment No. 8), and RUS Bulletins 1780-30 and 1780-31 (Attachment Nos. 9 and 10) outline audit requirements.

You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$500,000 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.

6. 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. The attorney's legal opinion should include a certification that all requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and West Virginia State Code Chapter 54 have been met in the acquisition of both real property and rights-of-way. Such requirements may include, but are not limited to, distributing informational material to all affected property owners, and completing appraisals of the affected properties.
 - 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.
7. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
 - West Virginia Department of Highways
 - Railroads
 - State Department of Health
 - Department of Environmental Protection
 - Corps of Engineers
 - Public Land Corporation

8. Public Service Commission Approvals - You must obtain the following from the West Virginia Public Service Commission:

- 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.

9. 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. During the construction phase of your project, this maximum amount will be much greater than normal; therefore, it is our recommendation that you temporarily increase your coverage to the estimated highest monthly construction drawdown. Once construction is complete, you may decrease the amount of your coverage. Please note that the cost of the temporary increase in coverage is an eligible project cost.

The minimum coverage acceptable to RUS once your project is in operation 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.

10. Contract Documents, Final Plans and Specifications -

a. The contract documents should consist of the following:

- (1) EJCDC Document No. 1910-8-A-1-FA, 1997 Edition, "Standard Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. 1910-8-FA, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.
- (2) "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance," is enclosed for use by your engineer in the preparation of the contract documents. (Attachment No. 7).

b. The contract documents must provide, as a minimum, the following insurance:

- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 – \$200,000. This coverage must include indemnification of the PSD and its engineer. The contract documents suggest 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.

11. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 13).

12. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account.

Public Bodies – Interest earned on grant funds in excess of \$100 per year will be submitted to RUS at least quarterly as required in 7 CFR 3016.

The PSD will establish a separate fund, to be known and hereafter referred to as the Construction Account, with a lending institution insured by the Federal Deposit Corporation. The account shall be used solely for the purpose of paying the costs of the project as outlined in the construction budget. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the Construction Account. All deposits in excess of \$100,000 will be secured by a collateral pledge in accordance with Treasury Circular Number 176.

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.

13. Other Project Funds - Prior to advertisement for construction bids, you must provide evidence showing the approval of any other project funds. This evidence should include a copy of the funding award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the other project funds are available for expenditure. This evidence should consist of at least a letter from the funding agency stating the funds are available for expenditure.
14. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:
 - 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)
 - Certification of Compliance
 - Form RD 1942-46, "Letter of Intent to Meet Conditions"
15. 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.
16. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be

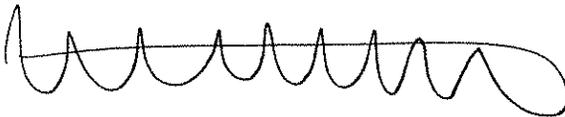
in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds and would be applied as an extra payment toward the loan balance.

If the conditions set forth in this letter are not met within twelve (12) 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 twelve-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,



ROBERT M. STEPTOE
State Director

Enclosures

cc: Rural Development Specialist (RUS)
Beckley, WV

Imre D. Pentek, CPA
P.O. Box 1390
Lewisburg, WV 24901

James C. Blankenship, III
Attorney at Law
P.O. Box 326
Fayetteville, WV 25840

Bond Counsel

E.L. Robinson
ATTN: Ray Tilley, P.E.
207 Brookshire Lane
Beckley, WV 25801

West Virginia Development Office
ATTN: Tracey Rowan, Manager
Project Development
Capitol Complex, Building 6, Room 553
1900 Kanawha Boulevard, East
Charleston, WV 25305-0311

Guide - Revised 1/04
 Attachment No. 1 to Letter of Conditions
 For: Danese PSD
 Date: April 11, 2007

Project Construction Budget

<u>PROJECT COST</u>	<u>SCBG</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 1,155,600	\$ 1,099,220	\$ 963,100	\$ 3,217,920
CONST. CONTINGENCY	\$ 80,900	\$ 76,920	\$ 67,400	\$ 225,220
LAND & RIGHTS	\$ 3,600	\$ 3,400	\$ 3,000	\$ 10,000
LEGAL FEES	\$ 10,500	\$ 10,000	\$ 8,700	\$ 29,200
BOND COUNSEL	\$ 5,700	\$ 5,500	\$ 4,800	\$ 16,000
ACCOUNTING	\$ 1,800	\$ 1,700	\$ 1,500	\$ 5,000
ENGINEERING FEES	\$ 131,500	\$ 125,200	\$ 109,600	\$ 366,300
Basic - \$ 261,300				
Insp. - \$ 85,000				
Special - \$ 20,000				
INTEREST			\$ 111,000	\$ 111,000
ADMINISTRATION	\$ 60,000			\$ 60,000
PERMITS	\$ 16,200	\$ 15,400	\$ 13,400	\$ 45,000
REFINANCING			\$ 40,000	\$ 40,000
PROJECT CONTG.	\$ 34,200	\$ 32,660	\$ 28,500	\$ 95,360
TOTAL	\$ 1,500,000	\$ 1,371,000	\$ 1,350,000	\$ 4,221,000

Rates

Available for general domestic, commercial, and industrial service.

First	3,000	\$	9.03	per M gallons
Next	7,000	\$	7.28	per M gallons
Next	10,000	\$	6.16	per M gallons
Over	20,000	\$	5.65	per M gallons

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	\$	27.09	per month
3/4"	meter	\$	40.64	per month
1"	meter	\$	67.72	per month
1 1/4"	meter	\$	98.88	per month
1 1/2"	meter	\$	135.45	per month
2"	meter	\$	216.72	per month
3"	meter	\$	406.35	per month
4"	meter	\$	677.25	per month
6"	meter	\$	1,354.50	per month
8"	meter	\$	2,167.20	per month

Minimum Monthly Bill \$ 27.09 for gallons 3000

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$25.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Letter of Conditions
 For: Danese Public Service District
 Date: April 11, 2007

DANESE PUBLIC SERVICE DISTRICT
 USE AND INCOME ANALYSIS
 EXISTING SYSTEM - FOUR-MONTH PERIOD

Blocking	Cust.	Gal/ Mo.	5/8" Minimum Bills	1" Minimum Bills	1 1/2" Minimum Bills	4" Minimum Bills	First 3,000	Next 7,000	Next 10,000	Over 20,000	TOTAL REVENUE
5/8" - 0-3,000	910	1,495.80	910								
1 1/2" - 3,000-19,296	4	39.90		4							
3,001-10,000	1,242	6,020.01				3,726.00	2,294.00				
10,001-20,000	67	852.30				201.00	469.00	182.30			
Over 20,000	11	2,051.30				33.00	77.00	110.00	1,831.30		
Monthly Total	2,234	10,459.31	910.00	4.00		3,960.00	2,840.00	292.30	1,831.30		
Proposed Rates			\$ 27.09	\$ 67.72	\$ 135.45	\$ 677.25	\$ 9.03	\$ 7.30	\$ 6.16	\$ 5.65	
Monthly Revenues			\$ 24,651.90			\$ 35,758.80	\$ 20,732.00	\$ 1,800.57	\$ 10,346.85	\$ 93,290.11	

Annualization Factor

2.936126579

\$273,911.58

Danese Public Service District
 OPERATING BUDGET

OPERATING INCOME		
Metered Sales	346,595	
Penalties	5,400	
Other Income	287	
Reconnect Fees		
TOTAL OPERATING INCOME		<u>\$ 352,282</u>
NON OPERATING INCOME		
Interest income	\$ 1,206	
TOTAL NON OPERATING INCOME		<u>\$ 1,206</u>
TOTAL INCOME		<u>\$ 353,488</u>
EXPENSES		
O & M	\$ 205,813	
Taxes	\$ 11,501	
TOTAL EXPENSES		<u>\$ 217,314</u>
INCOME AVAILABLE FOR D/S (A)		<u>\$ 136,174</u>
DEBT SERVICE		
Existing Bond P & I (B)	\$ 43,917	
Proposed Bond P & I (B)	\$ 70,470	
TOTAL DEBT SERVICE		<u>\$ 114,387</u>
DEBT SERVICE RESERVE		
Debt Service Reserve*	\$ 8,954	
TOTAL DEBT SERVICE RESERVE		<u>\$ 8,954</u>
SURPLUS (DEFICIT)		<u>\$ 12,833</u>
DEBT COVERAGE (A/B)		\$ 1.19

Rate Increase Needed \$ (1)
 ((Total Debt Service * 1.15)-Income Available for Debt Service)/Metered Sales*100

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

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		Have	3
	DUNS Number	1		Applicant		Have	3
	CAIVRS Number	1		RUS		Have	CPAP Form
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant		Have	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		Have	3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		Have	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		Have	2
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant		Have	1
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
EJCDC No. 1910-1-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		Have	6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		Have	5
	Site Visit		S.I. 1780-2	RUS			3
	Processing Conference	1	1780.39(a)	RUS			3
	Environmental Report	2	1794	Applicant		Have	3
	Environmental Assessment	2	1794	RUS/ Engineer		Have	3
	FONSI/ Evidence of Publication	1	Exhibit 1 RUS 1794 News Ad	RUS/ Applicant		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		Have	6
	Staff Engineer PER Review	1	1780.33(c)	RUS		Have	3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	Applicant/ Engineer		Have	8
	Statement reporting the total number of potential users		1780.33(c)	Applicant/ Engineer			8
	Rate Tariff	2	1780.33	Applicant		Have	8
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		Have	3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3
	Documentation on Service Area	1	1780.11	RUS		Have	3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		Have	1
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant		Have	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant		Have	2
CPAP Form	Project Information	3	1780.41(a)	RUS		Have	1
CPAP Form	Underwriting Information	3	1780.33(h)	Applicant		Have	3
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/ Applicant		Have	2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant		Have	2
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant		Have	3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant		Have	5
	Relationships/Associations with Agency Employees	1	1780.1(f)	RUS		Have	3
RD 1910-11	Applicant Certification, Federal Collection Policies	1	1780.33(h)	Applicant		Have	3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant		Have	5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant		Have	6
RD 400-4	Assurance Agreement	1	1901-E	Applicant		Have	3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel		Have	5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant			5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant			5
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	Applicant			Separate File
	2. List of Signed Users Numbered to Map	1	LOC	Applicant			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	3. List of Declination Statements Numbered to Map	1	LOC	Applicant			5
	4. Evidence of Tap Fees Being Paid	1	LOC	Applicant			5
	5. Having Users Agreements and Declination Statements Available		LOC	Applicant			
	6. Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
	Accountant's Certification	1	LOC	Applicant/ Accountant			3
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	Applicant/ RUS			1
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6
	Corps of Engineers Permit	1	1780.15(d)	Applicant			6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
	Waiver of Title Defects Letter	1	1780.44(g)	RUS			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
	Operation and Maintenance Agreement	1	1780.39 (b)(4)	Applicant			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Evidence of "Other Funds"	1	1780.44(f)	Applicant			2
	Evidence of Applicant Contribution	1	1780.44(f)	Applicant			2
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant			5
RD 442-10	Appraisal Report	1	1780.44(g)	RUS			8
	Documentation Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			6
	Bid Tabulation	1	1780.61(b)	Engineer			6
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
	Flood Insurance Policy	1	1780.39(g)	Applicant			7
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5

Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants*

§1780.80 General.

This subpart includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, referred to as bonds in this subpart) and other necessary loan documents.

§1780.81 Policies related to use of bond counsel.

The applicant is responsible for preparation of bonds and bond transcript documents. The applicant will obtain the services and opinion of recognized bond counsel experienced in municipal financing with respect to the validity of a bond issue, except for issues of \$100,000 or less. With prior approval of the approval official, the applicant may elect not to use bond counsel. Such issues will be closed in accordance with the following:

- (a) The applicant must recognize and accept the fact that application processing may require additional legal and administrative time;
- (b) It must be established that not using bond counsel will produce significant savings in total legal costs;
- (c) The local attorney must be able and experienced in handling this type of legal work;
- (d) The applicant must understand that it will likely have to obtain an opinion from bond counsel at its expense should the Agency require refinancing of the debt;
- (e) Bonds will be prepared in accordance with this regulation and conform as closely as possible to the preferred methods of preparation stated in §1780.94; and
- (f) Closing instructions must be issued by OGC.

§1780.82 [Reserved]

§§1780.84 and 1780.86 [Reserved]

§1780.87 Permanent instruments for Agency loans.

Agency loans will be evidenced by an instrument determined legally sufficient and in accordance with the following order of preference:

(a) First preference - Form RD 440-22, "Promissory Note". Refer to paragraph (b) of this section for methods of various frequency payment calculations.

(b) Second preference - single instruments with amortized installments. A single instrument providing for amortized installments which follows Form RD 440-22 as closely as possible. The full amount of the loan must show on the face of the instrument, and there must be provisions for entering the date and amount of each advance on the reverse or an attachment. When principal payments are deferred, the instrument will show that "interest only" is due on interest-only installment dates, rather than specific dollar amounts. The payment period including the "interest only" installment cannot exceed 40 years, the useful life of the facility, or State statute limitations, whichever occurs first. The amortized installment, computed as follows, will be shown as due on installment dates thereafter.

(1) Monthly payments. Multiply by twelve the number of years between the due date of the last interest-only installment and the final installment to determine the number of monthly payments. When there are no interest-only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the loan amount by the amortization factor and round to the next higher dollar.

(2) Semiannual payments. Multiply by two the number of years between the due date of the last interest-only installment and the due date of the final installment to determine the correct number of semiannual periods. When there are no interest-only installments, multiply by two the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor.

(3) Annual payments. Subtract the due date of the last interest-only installment from the due date of the final installment to determine the number of annual payments. When there are no interest-only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor and round to the next higher dollar.

§1780.90 Multiple advances of Agency funds using temporary debt instruments.

When none of the instruments described in §1780.87 are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advances of Agency funds and will be for the full amount of the Agency loan. The instrument will be prepared by bond counsel, or local counsel if bond counsel is not involved, and approved by the State program official and OGC. At the same time the Agency delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

- (a) The date from which each advance will bear interest;
- (b) The interest rate as determined by §1780.13;
- (c) A payment schedule providing for interest on outstanding principal at least annually; and
- (d) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instruments and no longer than the 40-year statutory limit.

§§1780.91 - 1780.93 [Reserved]**§1780.94 Minimum bond specifications.**

The provisions of this section are minimum specifications only and must be followed to the extent legally permissible.

(a) **Type and denominations.** Bond resolutions or ordinances will provide that the instruments be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than \$1,000). Single bonds may provide for repayment of principal plus interest or amortized installments. Amortized installments are preferred by the Agency.

(b) **Bond registration.** Bonds will contain provisions permitting registration for both principal and interest. Bonds purchased by the Agency will be registered in the name of "United States of America" and will remain so registered at all times while the bonds are held or insured by the Government. The Agency address for registration purposes will be that of the Finance Office.

(i) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless acceptable documentation is provided establishing that net revenues for the fiscal year following the year in which such bonds are to be issued will be at least 120 percent of the average annual debt serviced requirements on all bonds outstanding, including the newly-issued bonds. For purposes of this section, net revenues are, unless otherwise defined by State statute, gross revenues less essential operation and maintenance expenses. This limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then-outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan resolution.

(j) Precautions. The following types of provisions in debt instruments should be avoided:

(1) Provisions for the holder to manually post each payment to the instrument.

(2) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than the Agency, may post the date and amount of each advance or repayment on the instrument.

(3) Provisions that amend covenants contained in RUS Bulletins 1780-27 or 1780-28.
[Revision 2, 06/04/99]

(4) Defeasance provisions in loan or bond resolutions. When a bond issue is defeased, a new issue is sold which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes the Agency from requiring refinancing before the final maturity date, it represents a violation of the statutory refinancing requirement; therefore, it is disallowed. No loan documents shall include a provision of defeasance.

(k) Assessment bonds. When security includes special assessment to be collected over the life of the loan, the instrument should address the method of applying any payments made before they are due. It may be desirable for such payments to be distributed over remaining payments due, rather than to be applied in accordance with normal procedures governing extra payments, so that the account does not become delinquent.

(l) Multiple debt instruments. The following will be adhered to when preparing debt instruments:

(1) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments;

(2) Loans obligated in different fiscal years and those obligated with different terms in the same fiscal year will be evidenced by separate debt instruments;

(3) Loans obligated for the same loan type in the same fiscal year with the same term may be combined in the same debt instrument;

(4) Loans obligated in the same fiscal year with different interest rates that will be closed at the same interest rate may be combined in the same debt instrument.



**United States Department of Agriculture
Rural Development
West Virginia State Office**

September 4, 2009

~~Richard Kinder, Chairman
Danese Public Service District
Drawer C
Danese, WV 25831~~

RE: Amendment No. 1 to
Letter of Conditions

Dear Mr. Kinder:

This letter, with Attachment No. 1 amends the letter of conditions dated April 11, 2007 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 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 RD loan in the amount of \$1,351,000, an RD grant in the amount of \$1,370,000, and other funding in the amount of \$6,550,087.91, for a total project cost of \$9,271,087.91. The other funding is planned in the form of a grant from the Abandoned Mine Lands Program in the amount of \$5,050,087.91 and an ARC/SCGB in the amount of \$1,500,000.

Subject to the requirements noted herein, all of the conditions of the April 11, 2007 letter of conditions remain in effect and must be satisfied prior to loan and grant 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)

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26505-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: <http://www.rurdev.usda.gov/wv>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W.,
Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RD 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 Public Service District 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, RD 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,


DIANE GOFF CRYSLER
Acting State Director

Enclosures

cc: Area Specialist
Beckley, WV

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Charleston, WV 25304-2345

Region IV Planning & Development Council
425 Main Street, Suite A
Summersville, WV 26651

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207 Brookshire Lane
Beckley, WV 25801

 Steptoe & Johnson
Attorneys at Law
P. O. Box 1588
Charleston, WV 25326-1588

Attachment No. 1 to Amended Letter of Conditions
 For: Danese Public Service District
 Date: September 4, 2009

Project Construction Budget

<u>PROJECT COST</u>	<u>AML GRANT</u>	<u>SCBG/ ARC</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 5,050,087.91	\$ 978,800.00	\$ 115,323.84	\$ 832,000.00	\$ 6,976,211.75
CONTINGENCY			\$ 740,000.00		\$ 740,000.00
LAND & RIGHTS				\$ 20,000.00	\$ 20,000.00
LEGAL FEES		\$ 29,200.00			\$ 29,200.00
BOND COUNSEL				\$ 16,000.00	\$ 16,000.00
ACCOUNTING		\$ 5,000.00			\$ 5,000.00
ENGINEERING FEES		\$ 425,000.00	\$ 198,000.00	\$ 372,000.00	\$ 995,000.00
Basic - \$ 575,000					
Insp. - \$ 385,000					
Special - \$ 35,000					
INTEREST				\$ 111,000.00	\$ 111,000.00
PERMITS		\$ 2,000.00			\$ 2,000.00
ADMINISTRATION		\$ 60,000.00			\$ 60,000.00
PROJECT CONTG.			\$ 316,676.16		\$ 316,676.16
TOTAL	\$ 5,050,087.91	\$ 1,500,000.00	\$ 1,370,000.00	\$ 1,351,000.00	\$ 9,271,087.91



Bond Counsel
210780.00001

**United States Department of Agriculture
Rural Development
West Virginia State Office**

April 11, 2007

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

Dear Mr. Kinder:

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 \$1,351,000, an RUS grant in the amount of \$1,370,000, and other funding in the amount of \$1,500,000, for a total project cost of \$4,221,000. The other funding is planned in the form of a grant from the HUD Small Cities Block Grant program.

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 (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)
- Attachment No. 6 - RUS Supplemental General Conditions (Engineer Copy)
- Attachment No. 7 - RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance"
- Attachment No. 8 - Government Auditing Standards (Revision 2003) (Accountant Copy)

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26705-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: <http://www.rurdev.usda.gov/wv>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).

- Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
- Attachment No. 10 - RUS Bulletin 1780-31, "Water Programs Compliance Supplement for OMB Circular A-133 Audits"
- Attachment No. 11 - Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 12 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 13 - Sample Credit Agreement (Applicant Copy)
- Attachment No. 14 - Various other RD Forms as identified on Attachment No. 2

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 4.125% interest rate and a monthly amortization factor of 0.00435, which provides for a monthly payment of \$5,877. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien of equal priority with the PSD's outstanding water revenue bonds, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.
3. Users - This conditional commitment is based upon you providing evidence that you will have at least 737 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 178 signed user agreements and a signed 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 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.

4. Bond Counsel Services - 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. Accounting Services - It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
 - b. Prior to loan/grant closing, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

The Accountant's Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

RUS regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your PSD. The attached booklets, "Government Auditing Standards (Revised 2003)" (Attachment No. 8), and RUS Bulletins 1780-30 and 1780-31 (Attachment Nos. 9 and 10) outline audit requirements.

You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$500,000 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.

6. 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. The attorney's legal opinion should include a certification that all requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and West Virginia State Code Chapter 54 have been met in the acquisition of both real property and rights-of-way. Such requirements may include, but are not limited to, distributing informational material to all affected property owners, and completing appraisals of the affected properties.
 - 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.
7. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
- West Virginia Department of Highways
 - Railroads
 - State Department of Health
 - Department of Environmental Protection
 - Corps of Engineers
 - Public Land Corporation

8. Public Service Commission Approvals - You must obtain the following from the West Virginia Public Service Commission:

- 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.

9. 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. During the construction phase of your project, this maximum amount will be much greater than normal; therefore, it is our recommendation that you temporarily increase your coverage to the estimated highest monthly construction drawdown. Once construction is complete, you may decrease the amount of your coverage. Please note that the cost of the temporary increase in coverage is an eligible project cost.

The minimum coverage acceptable to RUS once your project is in operation 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.

10. Contract Documents, Final Plans and Specifications -

a. The contract documents should consist of the following:

- (1) EJCDC Document No. 1910-8-A-1-FA, 1997 Edition, "Standard Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. 1910-8-FA, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.
- (2) "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance," is enclosed for use by your engineer in the preparation of the contract documents. (Attachment No. 7).

b. The contract documents must provide, as a minimum, the following insurance:

- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 – \$200,000. This coverage must include indemnification of the PSD and its engineer. The contract documents suggest 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.

11. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 13).

12. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account.

Public Bodies – Interest earned on grant funds in excess of \$100 per year will be submitted to RUS at least quarterly as required in 7 CFR 3016.

The PSD will establish a separate fund, to be known and hereafter referred to as the Construction Account, with a lending institution insured by the Federal Deposit Corporation. The account shall be used solely for the purpose of paying the costs of the project as outlined in the construction budget. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the Construction Account. All deposits in excess of \$100,000 will be secured by a collateral pledge in accordance with Treasury Circular Number 176.

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.

13. Other Project Funds - Prior to advertisement for construction bids, you must provide evidence showing the approval of any other project funds. This evidence should include a copy of the funding award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the other project funds are available for expenditure. This evidence should consist of at least a letter from the funding agency stating the funds are available for expenditure.

14. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

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)
Certification of Compliance
Form RD 1942-46, "Letter of Intent to Meet Conditions"

15. 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.
16. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be

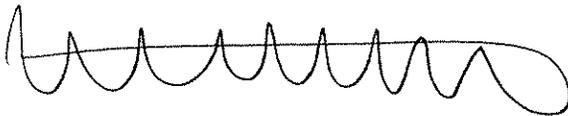
in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds and would be applied as an extra payment toward the loan balance.

If the conditions set forth in this letter are not met within twelve (12) 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 twelve-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,



ROBERT M. STEPTOE
State Director

Enclosures

cc: Rural Development Specialist (RUS)
Beckley, WV

Imre D. Pentek, CPA
P.O. Box 1390
Lewisburg, WV 24901

James C. Blankenship, III
Attorney at Law
P.O. Box 326
Fayetteville, WV 25840

Bond Counsel

E.L. Robinson
ATTN: Ray Tilley, P.E.
207 Brookshire Lane
Beckley, WV 25801

West Virginia Development Office
ATTN: Tracey Rowan, Manager
Project Development
Capitol Complex, Building 6, Room 553
1900 Kanawha Boulevard, East
Charleston, WV 25305-0311

Guide - Revised 1/04
Attachment No. 1 to Letter of Conditions
For: Danese PSD
Date: April 11, 2007

Project Construction Budget

<u>PROJECT COST</u>	<u>SCBG</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 1,155,600	\$ 1,099,220	\$ 963,100	\$ 3,217,920
CONST. CONTINGENCY	\$ 80,900	\$ 76,920	\$ 67,400	\$ 225,220
LAND & RIGHTS	\$ 3,600	\$ 3,400	\$ 3,000	\$ 10,000
LEGAL FEES	\$ 10,500	\$ 10,000	\$ 8,700	\$ 29,200
BOND COUNSEL	\$ 5,700	\$ 5,500	\$ 4,800	\$ 16,000
ACCOUNTING	\$ 1,800	\$ 1,700	\$ 1,500	\$ 5,000
ENGINEERING FEES	\$ 131,500	\$ 125,200	\$ 109,600	\$ 366,300
Basic - \$ 261,300				
Insp. - \$ 85,000				
Special - \$ 20,000				
INTEREST			\$ 111,000	\$ 111,000
ADMINISTRATION	\$ 60,000			\$ 60,000
PERMITS	\$ 16,200	\$ 15,400	\$ 13,400	\$ 45,000
REFINANCING			\$ 40,000	\$ 40,000
PROJECT CONTG.	\$ 34,200	\$ 32,660	\$ 28,500	\$ 95,360
TOTAL	\$ 1,500,000	\$ 1,371,000	\$ 1,350,000	\$ 4,221,000

Rates

Available for general domestic, commercial, and industrial service.

First	3,000	\$	9.03	per M gallons
Next	7,000	\$	7.28	per M gallons
Next	10,000	\$	6.16	per M gallons
Over	20,000	\$	5.65	per M gallons

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	\$	27.09	per month
3/4"	meter	\$	40.64	per month
1"	meter	\$	67.72	per month
1 1/4"	meter	\$	98.88	per month
1 1/2"	meter	\$	135.45	per month
2"	meter	\$	216.72	per month
3"	meter	\$	406.35	per month
4"	meter	\$	677.25	per month
6"	meter	\$	1,354.50	per month
8"	meter	\$	2,167.20	per month

Minimum Monthly Bill \$ 27.09 for gallons 3000

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$25.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Letter of Conditions
 For: Danese Public Service District
 Date: April 11, 2007

DANESE PUBLIC SERVICE DISTRICT
 USE AND INCOME ANALYSIS
 EXISTING SYSTEM - FOUR-MONTH PERIOD

Blocking	Cust.	Gal/ Mo.	5/8" Minimum Bills	1" Minimum Bills	1 1/2" Minimum Bills	4" Minimum Bills	First 3,000	Next 7,000	Next 10,000	Over 20,000	TOTAL REVENUE
5/8" - 0-3,000	910	1,495.80	910								
1 1/2" - 3,000-19,296	4	39.90			4						
3,001-10,000	1,242	6,020.01				3,726.00	2,294.00				
10,001-20,000	67	852.30				201.00	469.00	182.30			
Over 20,000	11	2,051.30				33.00	77.00	110.00	1,831.30		
Monthly Total	2,234	10,459.31	910.00		4.00	3,960.00	2,840.00	292.30	1,831.30		
Proposed Rates			\$ 27.09	\$ 67.72	\$ 135.45	\$ 677.25	\$ 9.03	\$ 7.30	\$ 6.16	\$ 5.65	
Monthly Revenues			\$ 24,651.90			\$ 35,758.80	\$ 20,732.00	\$ 1,800.57	\$ 10,346.85	\$ 93,290.11	

Annualization Factor

2.936126579

\$ 273,911.58

Danese Public Service District
 USE AND INCOME ANALYSIS
 IDENTIFIED EXTENSION AREAS - FOUR - MONTH PERIOD

Blocking	Cust.	Gal/ Mo.	Minimum Bills	FIRST 3,000	NEXT 7,000	TOTAL REVENUE
5/8"/0-3,000	301	494.89	301			
3,000-10,000	411	1991.75		1232.8	759	
Monthly Total	712	2486.64	301	1232.8	759	0
Proposed Rates			\$ 27.09	\$ 9.03	\$ 7.30	
Monthly Revenues			\$ 8,154.09	\$ 11,132.18	\$ 5,540.70	\$ 24,826.97

Annualization Factor
 2.936126579
 \$ 72,895.14

Danese Public Service District
 OPERATING BUDGET

OPERATING INCOME		
Metered Sales	346,595	
Penalties	5,400	
Other Income	287	
Reconnect Fees		
TOTAL OPERATING INCOME		<u>\$ 352,282</u>
NON OPERATING INCOME		
Interest income	\$ 1,206	
TOTAL NON OPERATING INCOME		<u>\$ 1,206</u>
TOTAL INCOME		<u>\$ 353,488</u>
EXPENSES		
O & M	\$205,813	
Taxes	\$ 11,501	
TOTAL EXPENSES		<u>\$ 217,314</u>
INCOME AVAILABLE FOR D/S (A)		<u>\$ 136,174</u>
DEBT SERVICE		
Existing Bond P & I (B)	\$ 43,917	
Proposed Bond P & I (B)	\$ 70,470	
TOTAL DEBT SERVICE		<u>\$ 114,387</u>
DEBT SERVICE RESERVE		
Debt Service Reserve*	\$ 8,954	
TOTAL DEBT SERVICE RESERVE		<u>\$ 8,954</u>
SURPLUS (DEFICIT)		<u>\$ 12,833</u>
DEBT COVERAGE (A/B)		\$ 1.19

Rate Increase Needed \$ (1)
 ((Total Debt Service * 1.15)-Income Available for Debt Service)/Metered Sales*100

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

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		Have	3
	DUNS Number	1		Applicant		Have	3
	CAIVRS Number	1		RUS		Have	CPAP Form
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant		Have	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		Have	3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		Have	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		Have	2
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant		Have	1
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
EJCDC No. 1910-1-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		Have	6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		Have	5
	Site Visit		S.I. 1780-2	RUS			3
	Processing Conference	1	1780.39(a)	RUS			3
	Environmental Report	2	1794	Applicant		Have	3
	Environmental Assessment	2	1794	RUS/ Engineer		Have	3
	FONSI/ Evidence of Publication	1	Exhibit 1 RUS 1794 News Ad	RUS/ Applicant		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		Have	6
	Staff Engineer PER Review	1	1780.33(c)	RUS		Have	3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	Applicant/ Engineer		Have	8
	Statement reporting the total number of potential users		1780.33(c)	Applicant/ Engineer			8
	Rate Tariff	2	1780.33	Applicant		Have	8
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		Have	3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3
	Documentation on Service Area	1	1780.11	RUS		Have	3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		Have	1
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant		Have	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant		Have	2
CPAP Form	Project Information	3	1780.41(a)	RUS		Have	1
CPAP Form	Underwriting Information	3	1780.33(h)	Applicant		Have	3
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/ Applicant		Have	2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant		Have	2
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant		Have	3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant		Have	5
	Relationships/Associations with Agency Employees	1	1780.1(f)	RUS		Have	3
RD 1910-11	Applicant Certification, Federal Collection Policies	1	1780.33(h)	Applicant		Have	3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant		Have	5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant		Have	6
RD 400-4	Assurance Agreement	1	1901-E	Applicant		Have	3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel		Have	5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant			5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant			5
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	Applicant			Separate File
	2. List of Signed Users Numbered to Map	1	LOC	Applicant			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	3. List of Declination Statements Numbered to Map	1	LOC	Applicant			5
	4. Evidence of Tap Fees Being Paid	1	LOC	Applicant			5
	5. Having Users Agreements and Declination Statements Available		LOC	Applicant			
	6. Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
	Accountant's Certification	1	LOC	Applicant/ Accountant			3
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documenta- tion	1	1780.39(d)	Applicant/ RUS			1
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6
	Corps of Engineers Permit	1	1780.15(d)	Applicant			6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
	Waiver of Title Defects Letter	1	1780.44(g)	RUS			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
	Operation and Maintenance Agreement	1	1780.39 (b)(4)	Applicant			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Evidence of "Other Funds"	1	1780.44(f)	Applicant			2
	Evidence of Applicant Contribution	1	1780.44(f)	Applicant			2
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant			5
RD 442-10	Appraisal Report	1	1780.44(g)	RUS			8
	Documentation Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			6
	Bid Tabulation	1	1780.61(b)	Engineer			6
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
	Flood Insurance Policy	1	1780.39(g)	Applicant			7
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5

Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants
Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants"

§1780.80 General.

This subpart includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, referred to as bonds in this subpart) and other necessary loan documents.

§1780.81 Policies related to use of bond counsel.

The applicant is responsible for preparation of bonds and bond transcript documents. The applicant will obtain the services and opinion of recognized bond counsel experienced in municipal financing with respect to the validity of a bond issue, except for issues of \$100,000 or less. With prior approval of the approval official, the applicant may elect not to use bond counsel. Such issues will be closed in accordance with the following:

- (a) The applicant must recognize and accept the fact that application processing may require additional legal and administrative time;
- (b) It must be established that not using bond counsel will produce significant savings in total legal costs;
- (c) The local attorney must be able and experienced in handling this type of legal work;
- (d) The applicant must understand that it will likely have to obtain an opinion from bond counsel at its expense should the Agency require refinancing of the debt;
- (e) Bonds will be prepared in accordance with this regulation and conform as closely as possible to the preferred methods of preparation stated in §1780.94; and
- (f) Closing instructions must be issued by OGC.

§1780.82 [Reserved]

§1780.83 Bond transcript documents

Any questions relating to Agency requirements should be discussed with Agency representatives. Bond counsel or local counsel, as appropriate, must furnish at least two complete sets of the following to the applicant, who will furnish one complete set to the Agency:

- (a) Copies of all organizational documents;
- (b) Copies of general incumbency certificate;
- (c) Certified copies of minutes or excerpts from all meetings of the governing body at which action was taken in connection with the authorizing and issuing of the bonds;
- (d) Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding a favorable bond election, if one is necessary;
- (e) Certified copies of the resolutions, ordinances, or other documents such as the bond authorizing resolutions or ordinances and any resolution establishing rates and regulating use of facility, if such documents are not included in the minutes furnished;
- (f) Copies of the official Notice of Sale and the affidavit of publication of the Notice of Sale when State statute requires a public sale;
- (g) Specimen bond, with any attached coupons;
- (h) Attorney's no-litigation certificate;
- (i) Certified copies of resolutions or other documents pertaining to the bond award;
- (j) Any additional or supporting documents required by bond counsel;
- (k) For loans involving multiple advances of Agency loan funds, a preliminary approving opinion of bond counsel (or local counsel if no bond counsel is involved) if a final unqualified opinion cannot be obtained until all funds are advanced. The preliminary opinion for the entire issue shall be delivered at or before the time of the first advance of funds. It will state that the applicant has the legal authority to issue the bonds, construct, operate and maintain the facility, and repay the loan, subject only to changes occurring during the advance of funds, such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates;
- (l) Final unqualified approving opinion of bond counsel, (and preliminary approving opinion, if required) or local counsel if no bond counsel is involved, including an opinion as to whether interest on bonds will be exempt from Federal and State income taxes. With approval of the State program official, a final opinion may be qualified to the extent that litigation is pending relating to Indian claims that may affect title to land or validity of the obligation. It is permissible for such opinion to contain language referring to the last sentence of Section 306 (a)(1) or to Section 309A (h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 (a)(1) or 1929a (h)).

§§1780.84 and 1780.86 [Reserved]

§1780.87 Permanent instruments for Agency loans.

Agency loans will be evidenced by an instrument determined legally sufficient and in accordance with the following order of preference:

(a) First preference - Form RD 440-22, "Promissory Note". Refer to paragraph (b) of this section for methods of various frequency payment calculations.

(b) Second preference - single instruments with amortized installments. A single instrument providing for amortized installments which follows Form RD 440-22 as closely as possible. The full amount of the loan must show on the face of the instrument, and there must be provisions for entering the date and amount of each advance on the reverse or an attachment. When principal payments are deferred, the instrument will show that "interest only" is due on interest-only installment dates, rather than specific dollar amounts. The payment period including the "interest only" installment cannot exceed 40 years, the useful life of the facility, or State statute limitations, whichever occurs first. The amortized installment, computed as follows, will be shown as due on installment dates thereafter.

(1) Monthly payments. Multiply by twelve the number of years between the due date of the last interest-only installment and the final installment to determine the number of monthly payments. When there are no interest-only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the loan amount by the amortization factor and round to the next higher dollar.

(2) Semiannual payments. Multiply by two the number of years between the due date of the last interest-only installment and the due date of the final installment to determine the correct number of semiannual periods. When there are no interest-only installments, multiply by two the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor.

(3) Annual payments. Subtract the due date of the last interest-only installment from the due date of the final installment to determine the number of annual payments. When there are no interest-only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor and round to the next higher dollar.

(c) Third preference - single instruments with installments of principal plus interest. If a single instrument with amortized installments is not legally permissible, use a single instrument providing for installments of principal plus interest accrued on the principal balance. For bonds with semiannual interest and annual principal, the interest is calculated by multiplying the principal balance times the interest rate and dividing this figure by two. Principal installments are to be scheduled so that total combined interest and principal payments closely approximate amortized payments.

(1) The repayment terms concerning interest only installments described in paragraph (b) of this section apply.

(2) The instrument shall contain in substance provisions indicating:

(i) Principal maturities and due dates;

(ii) Regular payments shall be applied first to interest due through the next principal and interest installment due date and then to principal due in chronological order stipulated in the bond; and

(iii) Payments on delinquent accounts will be applied in the following sequence:

(A) billed delinquent interest;

(B) past due interest installments;

(C) past due principal installments;

(D) interest installment due; and

(E) principal installment due.

(d) Fourth preference - serial bonds with installments of principal plus interest. If instruments described under the first, second, and third preferences are not legally permissible, use serial bonds with a bond or bonds delivered in the amount of each advance. Bonds will be numbered consecutively and delivered in chronological order. Such bonds will conform to the minimum requirements of §1780.94. Provisions for application of payments will be the same as those set forth in paragraph (c)(2)(ii) of this section.

(e) Coupon bonds. Coupon bonds will not be used unless required by State statute. Such bonds will conform to the minimum requirements of §1780.94.

§1780.88 [Reserved]

§1780.89 Multiple advances of Agency funds using permanent instruments.

Where interim financing from commercial sources is not used, Agency loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

§1780.90 Multiple advances of Agency funds using temporary debt instruments.

When none of the instruments described in §1780.87 are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advances of Agency funds and will be for the full amount of the Agency loan. The instrument will be prepared by bond counsel, or local counsel if bond counsel is not involved, and approved by the State program official and OGC. At the same time the Agency delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

- (a) The date from which each advance will bear interest;
- (b) The interest rate as determined by §1780.13;
- (c) A payment schedule providing for interest on outstanding principal at least annually; and
- (d) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instruments and no longer than the 40-year statutory limit.

§§1780.91 - 1780.93 [Reserved]**§1780.94 Minimum bond specifications.**

The provisions of this section are minimum specifications only and must be followed to the extent legally permissible.

(a) **Type and denominations.** Bond resolutions or ordinances will provide that the instruments be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than \$1,000). Single bonds may provide for repayment of principal plus interest or amortized installments. Amortized installments are preferred by the Agency.

(b) **Bond registration.** Bonds will contain provisions permitting registration for both principal and interest. Bonds purchased by the Agency will be registered in the name of "United States of America" and will remain so registered at all times while the bonds are held or insured by the Government. The Agency address for registration purposes will be that of the Finance Office.

(c) **Size and quality.** Size of bonds and coupons should conform to standard practice. Paper must be of sufficient quality to prevent deterioration through ordinary handling over the life of the loan.

(d) **Date of bond.** Bonds will normally be dated as of the day of delivery. However, the borrower may use another date if approved by the Agency. Loan closing is the date of delivery of the bonds or the date of delivery of the first bond when utilizing serial bonds, regardless of the date of delivery of the funds. The date of delivery will be stated in the bond if different from the date of the bond. In all cases, interest will accrue from the date of delivery of the funds.

(e) **Payment date.** Loan payments will be scheduled to coincide with income availability and be in accordance with State law.

(1) If income is available monthly, monthly payments are recommended unless precluded by State law. If income is available quarterly or otherwise more frequently than annually, payments must be scheduled on such basis. However, if State law only permits principal plus interest (P&I) type bonds, annual or semiannual payments will be used.

(2) The payment schedule will be enumerated in the evidence of debt, or if that is not feasible, in a supplemental agreement.

(3) If feasible, the first payment will be scheduled one full month, or other period, as appropriate, from the date of loan closing or any deferment period. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided. When principal payments are deferred, interest-only payments will be scheduled at least annually.

(f) **Extra payments.** Extra payments are derived from the sale of basic chattel or real estate security, refund of unused loan funds, cash proceeds of property insurance and similar actions which reduce the value of basic security. At the option of the borrower, regular facility revenue may also be used as extra payments when regular payments are current. Unless otherwise established in the note or bond, extra payments will be applied as follows:

(1) For loans with amortized debt instruments, extra payments will be applied first to interest accrued to the date of receipt of the payment and second to principal.

(2) For loans with debt instruments with P&I installments, the extra payment will be applied to the final unpaid principal installment.

(3) For borrowers with more than one loan, the extra payment will be applied to the account secured by the lowest priority of lien on the property from which the extra payments was obtained. Any balance will be applied to other Agency loans secured by the property from which the extra payment was obtained.

(4) For assessment bonds, see paragraph (k) of this section.

(g) The place of payments on bonds purchased by the Agency will be determined by the Agency.

(h) **Redemptions.** Bonds will normally contain customary redemption provisions. However, no premium will be charged for early redemption on any bonds held by the Government.

(i) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless acceptable documentation is provided establishing that net revenues for the fiscal year following the year in which such bonds are to be issued will be at least 120 percent of the average annual debt serviced requirements on all bonds outstanding, including the newly-issued bonds. For purposes of this section, net revenues are, unless otherwise defined by State statute, gross revenues less essential operation and maintenance expenses. This limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then-outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan resolution.

(j) Precautions. The following types of provisions in debt instruments should be avoided:

(1) Provisions for the holder to manually post each payment to the instrument.

(2) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than the Agency, may post the date and amount of each advance or repayment on the instrument.

(3) Provisions that amend covenants contained in RUS Bulletins 1780-27 or 1780-28.
[Revision 2, 06/04/99]

(4) Defeasance provisions in loan or bond resolutions. When a bond issue is defeased, a new issue is sold which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes the Agency from requiring refinancing before the final maturity date, it represents a violation of the statutory refinancing requirement; therefore, it is disallowed. No loan documents shall include a provision of defeasance.

(k) Assessment bonds. When security includes special assessment to be collected over the life of the loan, the instrument should address the method of applying any payments made before they are due. It may be desirable for such payments to be distributed over remaining payments due, rather than to be applied in accordance with normal procedures governing extra payments, so that the account does not become delinquent.

(l) Multiple debt instruments. The following will be adhered to when preparing debt instruments:

(1) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments;

(2) Loans obligated in different fiscal years and those obligated with different terms in the same fiscal year will be evidenced by separate debt instruments;

(3) Loans obligated for the same loan type in the same fiscal year with the same term may be combined in the same debt instrument;

(4) Loans obligated in the same fiscal year with different interest rates that will be closed at the same interest rate may be combined in the same debt instrument.

RUS Instruction 1780

§1780.95 Public bidding on bonds.

Bonds offered for public sale shall be offered in accordance with State law and in such a manner to encourage public bidding. The Agency will not submit a bid at the advertised sale unless required by State law, nor will reference to Agency's rates and terms be included. If no acceptable bid is received, the Agency will negotiate the purchase of the bonds.

§§1780.96 - 1780.100 [Reserved]

**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 27th day of March, 2009.

CASE NO. 08-1837-PWD-CN

DANESE PUBLIC SERVICE DISTRICT,
Danese, Fayette County, West Virginia
Application for a Certificate of Convenience and
Necessity to construct an extension of the Danese
water system.

COMMISSION ORDER

The Commission modifies a Recommended Decision and grants a certificate of public convenience and necessity to extend water service to more than 300 new customers.

BACKGROUND

On October 24, 2008, Danese Public Service District filed an application for a certificate to construct a \$10,489,647 water system extension project in the Clifftop, Hilton Village, Corliss, Russellville, Loops Road, Beelick Knob and Smokey Branch areas of Fayette County. Danese proposed to finance the extension with the following funding:

Abandoned Mine Lands grant	\$ 6,268,647
U.S. Department of Agriculture Rural Utilities Service (RUS) grant	\$ 1,370,000
Appalachian Regional Commission grant	\$ 1,500,000
RUS loan @ 4.125%, 40-year term	<u>\$ 1,351,000</u>
	\$10,489,647

Danese also proposed a 12% across-the-board increase in its water rates and charges.

On November 7, 2008, the Commission referred this matter to the Division of Administrative Law Judges for further processing. Comm'n Referral Order p. 1.

Notice of Danese's application was published in the *Fayette Tribune* on November 6, 2008. See Affidavit of Publication (Nov. 18, 2008). No comments were filed in response to the publication.

On January 28, 2009, Commission Staff recommended that the application be granted. Final Joint Staff Memorandum pp. 1-3 & attached Final Staff Internal Memorandum pp. 1-10 with attachments. Staff advised that the cost per customer was extremely high, customer density was low, and the project would not be feasible without grant money. Final Staff Internal Memorandum p. 4.

Staff also advised that Danese explored all available project alternatives, the Town of Meadow Bridge and the New Haven Public Service District were contacted, and neither utility objected to the Danese project because they were both unwilling or unable to extend service.¹ *Id.* p. 5. Engineering Staff recommended, among other things, that Danese file a letter from Meadow Bridge authorizing Danese to provide water to customers in Meadow Bridge's area. *Id.* p. 6.

Although Danese proposed a 12% across-the-board increase, Water and Wastewater Division Staff concluded that 12% was excessive and recommended a 9.7% across-the-board increase. *Id.* p. 8. Water and Wastewater Staff likewise recommended that Danese obtain a letter demonstrating Meadow Bridge's agreement for Danese to serve customers within Meadow Bridge's boundary. *Id.* p. 10.

On March 9, 2009, the ALJ recommended that the Commission grant the certificate application, approve the proposed funding and approve the Staff-recommended rates, "contingent upon the District obtaining from the Town Council of the Town of Meadow Bridge the necessary consent for the District to extend its system into and/or serve customers in the Town's service area, as required by West Virginia Code §16-13A-8. If the required consent cannot be obtained, Danese Public Service District may not extend its system into or serve customers in the service area of the Town of Meadow Bridge." Rec. Dec. p. 8 (1st ordering para.).

Furthermore, if Meadow Bridge consents and Danese connects to the Meadow Bridge water main, the ALJ required Danese to petition the Public Service Commission for an appropriate rate review and class cost of service study and for approval of an inter-utility agreement. *Id.* p. 9 (5th ordering para.).

On March 11, 2009, Danese filed Exceptions to the Recommended Decision, arguing that the consent of Meadow Bridge was not required because the extension is entirely within

¹ On January 29, 2009, in Case Number 08-1861-PSD-CN, the Commission approved the Order of the Fayette County Commission enlarging the boundaries of Danese Public Service District and decreasing the boundaries of New Haven Public Service District to accommodate the extension of service proposed in this case.

Danese's boundaries; the project will not serve any customers within the Meadow Bridge boundaries or service area; Danese will not connect to the Meadow Bridge water main; and if the connection is later made so that Meadow Bridge can buy water from Danese, the connection would be at Meadow Bridge's sole cost and expense and a rate review, class cost of service study and approval of an inter-utility agreement would not be required. Exceptions p. 1. Danese asked the Commission to modify the Recommended Decision accordingly^{Id.}

To date, no response has been filed to the Danese Exceptions.

DISCUSSION

Staff from both the Engineering Division and the Water and Wastewater Division recommended that the Commission require Danese to obtain Meadow Bridge's consent to Danese providing water service in Meadow Bridge's "territory." Final Staff Internal Memorandum pp. 6 & 10. The ALJ accepted this recommendation, reciting that such consent was mandatory, pursuant to W. Va. Code § 16-13A-8, before Danese could provide service in Meadow Bridge's "service territory." Rec. Dec. pp. 6-9.²

W. Va. Code § 16-13A-8 addresses the ability of a public service district to provide water service near a town providing water service, in pertinent part, as follows:

... each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any . . . incorporated town . . . included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district; Provided, That **if any incorporated . . . town . . . within the district owns and operates . . . water facilities . . . , then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such . . . town. . . or the adjacent unincorporated territory served by such . . . town**

² Conclusion of Law Number 2 states,

It is reasonable to grant Danese Public Service District's application for a certificate of public convenience and necessity to construct the proposed extension of its existing water distribution system to serve approximately 320 new customers in the areas of Fayette County known as Clifftop, Hilton Village, Corliss, Russellville, Loops Road, Beelick Knob and the upper portion of Smokey Branch Road, with one modification relating to the Town of Meadow Bridge. If the appropriate consent from the Town cannot be obtained, the District may not extend its system into the Town's service area, pursuant to West Virginia Code §16-13A-8. If that prohibition substantially modifies this project, the District will have to petition the Commission to reopen this matter and seek approval of a revised project which excludes any service area of the Town.

... , except upon the approval of the Public Service Commission, the consent of such [town and in conformity with the requirements of revenue bonds]

Whenever such district has constructed, acquired or established water facilities ... within any ... town ... included within a district, then such ... town ... may not thereafter construct, acquire or establish any facilities of the same kind within such ... town ... without the consent of such district.

* * *

... nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks ... or extensions made or to be made in territory contiguous to such existing plant or system ... (emphasis added).

Because Meadow Bridge provides water service to its residents, this statute prevents Danese from providing service within the town limits, but there is no indication whatsoever in the record that Danese has requested authority to do so in this certificate application. The record contains clear statements that the Danese project will not extend into the boundaries of Meadow Bridge, Meadow Bridge was consulted when this project was being planned, and Meadow Bridge declined to extend service into the areas which Danese seeks to serve. Moreover, Meadow Bridge did not file any comments with the Commission after notice was published of the Danese certificate application.

This statute also prevents Danese from providing service in unincorporated territory adjacent to Meadow Bridge, provided that Meadow Bridge is providing water service in such adjacent territory. Again there is no indication that Meadow Bridge is providing water service outside of its town limits where Danese seeks to extend its water service.

Finally, this statute prevents Danese from competing with any extensions reasonably and in good faith planned to be made by Meadow Bridge. Once again, there is no indication whatsoever that Meadow Bridge is planning to extend its water service into the area that Danese has applied to serve. Indeed, the record reflects that Meadow Bridge has declined to provide service in this area.

The contingency suggested by Staff and adopted by the ALJ is, at best, a statement of what the law requires under circumstances that someday might exist. What is pending in this case, however, is an unopposed certificate application to extend public water service to more than 300 new customers. The public interest does not require us to condition the certificate upon Danese obtaining consent from Meadow Bridge relating to circumstances that may someday come to pass. Stated another way, the law requires consent to be obtained when services in the project area are being provided by another utility or when services are reasonably and in good faith planned to be provided by another utility. Accordingly, the

Commission will remove the contingency in the first ordering paragraph of the Recommended Decision, as Danese has requested.

The Recommended Decision also contains an ordering paragraph that requires Danese to petition for a rate review and class cost of service study and approval of an inter-utility agreement if Danese connects its system to the Meadow Bridge water main. Danese clearly states, though, that it does not plan to connect its system to the Meadow Bridge main. An order granting Danese a certificate for this project need not address facts that may not ever come to pass. The Commission shall, therefore, strike the fifth ordering paragraph of the Recommended Decision.

FINDINGS OF FACT

1. The Danese project will not extend into the town boundaries of Meadow Bridge. Cover ltr. p. 2 (“21. Other utility infringement statement: (not applicable)”) (Oct. 24, 2008); Exceptions p. 1.

2. Meadow Bridge was consulted when this project was being planned, and Meadow Bridge declined to extend water service into the areas that Danese seeks to serve. Final Staff Internal Memorandum p. 5.

3. Meadow Bridge did not file any comments with the Commission after notice was published of the Danese certificate application.

4. Danese has no plans to connect its system to the Meadow Bridge main. Exceptions p. 1.

CONCLUSIONS OF LAW

1. Because Danese has not requested authority to provide service within the Meadow Bridge town limits, Meadow Bridge is not providing water service outside of its town limits where Danese seeks to extend its water service, and Meadow Bridge has declined to provide service in this area, Danese may provide the service contemplated by this certificate application without first obtaining any consent from Meadow Bridge.

2. The law requires consent to be obtained when services in the project area are being provided by another utility or when services are reasonably and in good faith planned to be provided by another utility.

ORDER

IT IS THEREFORE ORDERED that Danese's exceptions are granted. The Recommended Decision is modified to 1) remove the contingency in the first ordering paragraph relating to a requirement to obtain consent from Meadow Bridge and 2) delete the fifth ordering paragraph in its entirety. As modified, the Recommended Decision is adopted.

IT IS FURTHER ORDERED that this matter is 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.

A True Copy, Testis:


Sandra Squire
Executive Secretary

CLW/sek
081837ca.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

**EXCEPTIONS
FILED**

Entered: March 9, 2009

CASE NO. 08-1837-PWD-CN

DANESE PUBLIC SERVICE DISTRICT

Danese, Fayette County, West Virginia

**Application for a Certificate of Convenience
and Necessity to construct an extension of the
Danese water system.**

RECOMMENDED DECISION

On October 24, 2008, Danese Public Service District (District/Applicant), Danese, Fayette County, West Virginia, filed a duly verified application with the West Virginia Public Service Commission (Commission) for a certificate of convenience and necessity to construct certain additions to its water system located in Fayette County, West Virginia. The project is described in the application as a water system extension project in areas of Fayette County known as Clifftop, Hilton Village, Corliss, Russellville, Loops Road, Beelick Knob and Smokey Branch. The total estimated project cost is \$10,489,647. The project will be financed by a package of grants and loans consisting of a grant from the Abandoned Mine Lands (AML) program in the amount of \$6,268,647; a grant from the United States Department of Agriculture Rural Utilities Service (RUS) in the amount of \$1,370,000; a grant from the Appalachian Regional Commission (ARC) in the amount of \$1,500,000; and a loan from the RUS in the amount of \$1,351,000, at an annual interest rate of 4.125% for a term of forty (40) years. In its certificate application, the District proposed a 12% across-the-board increase in its current water rates and charges.

On October 24, 2008, the Commission issued a Notice of Filing order which required that the District give notice of the filing of the certificate application by publishing a copy of the Notice of Filing once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Fayette County, West Virginia, making due return to the Public Service Commission of proper certification of publication, immediately after publication. The Notice of Filing provided for a thirty (30) day public protest and intervention period, which would begin upon publication of the Notice of Filing.

MSM

On October 29, 2008, the District filed correspondence with the Commission notifying the Commission of an error in the Notice of Filing issued in this case by the Commission on October 24, 2008.

On October 29, 2008, the Commission issued an Amended Notice of Filing containing the proper pre-construction tap fee of \$100.00.

On November 7, 2008, the Commission issued a Referral Order which required that the Division of Administrative Law Judges render its decision in this matter on or before March 9, 2009, as long as no public protest to the application was received within thirty (30) days after the Notice of Filing has been published. If public protest was received by the Commission, the Division of Administrative Law Judges was ordered to render its decision in this matter on or before May 22, 2009.

On November 18, 2008, the District filed an Affidavit of Publication from the Beckley Newspapers which affirmed that the Amended Notice of Filing, issued by the Commission on October 29, 2008, was published in the *Fayette Tribune*, as a Class I legal notice on November 6, 2008.

On November 25, 2008, Staff Attorney Cassius H. Toon of the Commission's Legal Division filed Staff's first set of interrogatories, data requests and requests for information. Staff requested that the additional items set forth in the data request be filed by the District within twenty (20) days following service upon it of Staff's request.

On November 25, 2008, Staff Attorney Toon also filed the Initial Joint Staff Memorandum, along with the Initial Internal Memorandum, prepared by Utility Analysts Bob Cadle and Troy Eggleton of the Commission's Water and Wastewater Division and Technical Analyst Sylvie Steranka of the Commission's Engineering Division. Staff reported that the project proposed in the certificate application had been found technically feasible by the West Virginia Infrastructure and Jobs Development Council (WVIJDC). Staff provided a list of specific additional information that the District would need to file before Commission Staff could make a recommendation regarding this case. Staff noted that, while the District had filed copies of funding commitment letters from the United States Department of Agriculture Rural Utilities Service and from the Abandoned Mine Lands program, the District had not filed a copy of its funding commitment letter from the Appalachian Regional Commission. Staff stressed the importance of the District providing such a letter from the Appalachian Regional Commission. Staff advised that, if the letter was not filed, Staff might have no alternative other than to recommend that the certificate be dismissed. Staff recommended that the case be referred to the Division of Administrative Law Judges for resolution.

On December 10, 11 and 15, 2008, the District filed responses to Staff's first set of interrogatories, data requests and requests for information.

On January 22, 2008, Staff Attorney Toon filed a Further Joint Staff Memorandum which advised that the Water and Wastewater Division had completed its review of this matter and that a final recommendation would be filed within the next few days.

On January 28, 2009, Staff Attorney Toon filed the Final Joint Staff Memorandum, along with the Final Staff Internal Memorandum, prepared by Utilities Analysts Cadle and Eggleton of the Commission's Water and Wastewater Division and Technical Analyst Steranka of the Commission's Engineering Division. Staff described the proposed project as a water extension project to provide service to approximately 320 new customers in the areas of Clifftop, Hilton Village, Corliss, Russellville, Loops Road, Beelick Knob, and the upper portion of Smokey Branch Road in Fayette County. The project includes the installation of approximately 47,000 linear feet of 8-inch water line; 167,700 linear feet of 6-inch water line; 30,800 linear feet of 2-inch water line; approximately 103 fire hydrants; approximately three (3) pressure reducing stations; one (1) 146,000-gallon water storage tank; one (1) 130 G.P.M. duplex water booster station; and all necessary valves, controls and appurtenances. The project will be constructed under five (5) separate contracts. Contract No. 1 will include the areas of Clifftop, Loop Road, Babcock State Park, Shelton Road, Stonehouse Road and Corliss Road. Contract No. 2 will include the areas of North Corliss Road, River Road, CR 41, Egypt Road and Bracken creek Road. Contract No. 3 will include Loops Road from the Ford Knob Tank to the Route 60 extension. Contract No. 4 only covers construction of the water storage tank. Contract No. 5 includes the areas of Alaska Mountain Road and Meadow Bridge Road. Staff expressed concerns that one or more of the seven (7) deductive alternatives may have to be taken due to the low level of project contingency funds included in the project budget. Staff characterized the project cost per customer as "extremely high" and characterized project customer density as "low." Staff opined that, "this project would not be feasible without grant money."

Staff reported that the project is estimated to cost \$10,489,647 and would be financed through a grant from the AML program in the amount of \$6,268,647; a grant of \$1,370,000 from the RUS; a grant from the ARC in the amount of \$1,500,000; and a loan from the RUS in the amount of \$1,351,000, at an annual interest rate of 4.125% for a term of forty (40) years.

Staff questioned the adequacy of turnover rates and storage, in light of the length of pipe that will be added to the system and the low customer density. Staff suggested that some branches of the system might not have sufficient usage to maintain residual chlorine levels without frequent flushing of the lines. This would result in additional water losses for the District, which already has a high level of unaccounted-for water at 44%. Staff recommended that the District submit a plan for the reduction of unaccounted-for water.

Staff was satisfied that the District properly explored all available project alternatives. The Town of Meadow Bridge and the New Haven Public Service District were contacted during the

planning phase for this project and neither utility had any objection to the Applicant's plan to provide water service in the project areas, since they were both unwilling or unable to extend service.¹

Engineering Staff recommended that:

- (1) The District establish policies regarding the installation and maintenance of pressure regulators;
- (2) The District notify all affected customers of high main line pressure (i.e., pressure greater than 100 p.s.i.);
- (3) The District submit a plan, within the next three (3) months, to reduce existing unaccounted-for-water to less than 15%;
- (4) The District submit a plan to identify existing leaks within one (1) year after completion of this project. Staff expects the plan to include detection methods other than observation of surfacing water, since most water leaks do not surface;
- (5) The District file a letter from the Town of Meadow Bridge authorizing Danese Public Service District to provide water to customers in its geographical area.

Financial Staff made adjustments to the operation and maintenance expenses proposed by the District in this certificate case. Staff reduced the District's proposed operation and maintenance expenses and taxes (other than income taxes) because some of the proposed increases were not attributable to the proposed project and were actually increases associated with normal operations. Staff cautioned that adjustments to operation and maintenance expenses proposed within a certificate filing must be solely attributable to the project and not tied to increases from normal operations. Staff suggested that the District file a rate case to address increases needed as the result of increases in normal operations. Given Staff's adjustments, the District's annual operation and maintenance expenses were estimated to increase approximately \$72,470 and taxes (other than income taxes) were estimated to increase approximately \$4,717 as a result of the project.

The District proposed a 12% across-the-board increase in current water rates and charges. Staff concluded that a 12% increase was excessive, given the adjustments discussed above. Staff recommended a 9.7% across-the-board increase in current rates and charges to support the proposed project. The Staff-recommended rates would result in a minimum bill of \$28.32 per month (based upon usage of 3,000 gallons) and an average bill of \$39.75 per month (based upon usage of 4,500 gallons). The Staff-recommended rates and charges will generate an additional \$156,608 in annual

¹By Order entered on January 29, 2009, in Case No. 08-1861-PSD-CN, the Commission approved the Order of the Fayette County Commission enlarging the boundaries of Danese Public Service District and decreasing the boundaries of New Haven Public Service District to accommodate the extension of service proposed herein.

operating revenue, a cash flow surplus of \$7,343 and a debt coverage ratio of 136.71%. Staff concluded that the project, including the Staff financial revisions, was financially feasible and should be approved. Staff also recalculated the District's proper leak adjustment and recommended that an incremental cost of \$0.88 per M gallons be approved.

Financial Staff recommended that rates and charges set forth in the Staff Recommended Tariff (Attachment 2 to the Final Staff Internal Memorandum) be approved; that the project funding package outlined in the Final Staff Internal Memorandum be approved; that the District seek Commission approval of any changes in the plans or scope of the project; that, if there are changes in the rates associated with this project, the District seek Commission approval of any such changes; and that it would not be necessary for the District to seek further Commission approval of changes in project costs or financing as long as project-related rates remain unchanged. Staff recommended that, under such circumstances, the District should be required to file an affidavit executed by its Certified Public Accountant verifying that its rates and charges are not affected. Staff also recommended that the District file with the Commission a copy of the engineer's certified tabulation of bids for all construction contracts associated with this project. Staff recommended that the District obtain a letter from the Town of Meadow Bridge demonstrating its agreement for the District to serve customers within its geographical boundary. Staff also recommended that, should the District connect, at some time in the future, to the Town of Meadow Bridge water main, the Commission be petitioned for purposes of determining the proper resale rate and/or approving any required inter-utility agreement. Staff also recommended that the District be required to file with the Commission copies of all outstanding regulatory permits and approvals required for construction of this project. Staff concluded by recommending that the District submit a copy of the "Certificate of Substantial Completion" issued for each construction contract associated with the project as soon as they become available.

DISCUSSION

The record demonstrates that the Amended Notice of Filing, issued by the Commission on October 29, 2008, was properly published as a Class I legal notice, as directed in the Commission's October 29, 2008 Order. The Notice of Filing required that public protests or requests for intervention regarding the certificate application be filed with the Public Service Commission within thirty (30) days of the date of publication of the Amended Notice of Filing. The Applicant later filed an affidavit of publication demonstrating that publication of the Amended Notice of Filing occurred on November 6, 2008, in *The Fayette Tribune*, and the record reflects that no public protests and no requests to intervene were filed in this matter during the thirty (30) day public protest period or as of the date of this Recommended Decision. Therefore, it is reasonable to conclude that there is no objection from the public to the issuance of a certificate of convenience and necessity for the District to construct the water line extension described in its certificate application.

However, the Town of Meadow Bridge has not filed the necessary consent for the District to extend its system and serve customers within the Town's service area. This consent is mandatory

before the District can provide service within the Town's service area, as set forth in West Virginia Code §16-13A-8. Unless that consent is obtained, the District may not extend its system or serve customers within the Town's service area under the certificate granted herein. It should be noted that a letter from the Mayor alone would not constitute appropriate consent.

FINDINGS OF FACT

1. On October 24, 2008, Danese Public Service District filed an application with the Public Service Commission for a certificate of convenience and necessity to construct an extension of its existing water distribution system to provide service to approximately 320 new customers located in areas of Fayette County known as Clifftop, Hilton Village, Corliss, Russellville, Loops Road, Beelick Knob and Smokey Branch. The project includes the construction of approximately 47,000 linear feet of 8-inch water line; 167,700 linear feet of 6-inch water line and 30,800 linear feet of 2-inch water line. It also includes installation of approximately 103 fire hydrants, several pressure reducing stations, leak detection assemblies, one (1) 146,000-gallon water storage tank and approximately three (3) pressure reducing stations. (See, certificate application filed October 24, 2008).
2. Danese Public Service District published the Amended Notice of filing, issued by the Public Service Commission on October 29, 2008, as a Class I legal advertisement, in *The Fayette Tribune*, a newspaper of general circulation, published in the Municipality of Oak Hill, Fayette County, West Virginia, on November 6, 2008. (See, affidavit of publication filed November 17, 2008).
3. The total estimated project cost is \$10,489,647. The District has funding commitments for an Abandoned Mine Lands grant in the amount of \$6,268,647; a grant in the amount of \$1,370,000 from the United States Department of Agriculture Rural Utilities Service; a grant in the amount of \$1,500,000 from the Appalachian Regional Commission; and a loan from RUS in the amount of \$1,351,000, at an annual interest rate of 4.125% for a term of forty (40) years. (See, application and funding letters filed October 24, 2008).
4. Residents of the areas to be served by the proposed extension currently utilize cisterns and private water wells as their water source. The private water wells have low yield and poor quality due to extensive coal mining activity in the areas. (See, Final Joint Staff Memorandum and attachments, filed January 28, 2009.)
5. After adjustments made by Commission Staff to the District's Rule 42 project-related projections, operation and maintenance expenses are projected to increase by approximately \$72,470 per year as a result of the proposed project. (See, Final Joint Staff Memorandum and attachments, filed January 28, 2009).

6. The District's current water rates will not generate a level of revenue sufficient to offset the various costs and expenses associated with the construction, debt service and increased operation and maintenance of the District's water system associated with the proposed water line extension project. (See, Final Joint Staff Memorandum, and attachments, filed January 28, 2009).

7. Staff recommended a 9.7% rate increase which should generate an annual cash flow surplus of \$7,343 and a debt coverage ratio of 136.71%. (See, Final Joint Staff Memorandum, Final Staff Internal Memorandum, Attachment 3 - Cash Flow Analysis, filed January 28, 2009).

8. The 9.7% across-the-board Staff-recommended water rate increase should generate an additional \$156,608 in annual operating revenues. (See, Final Joint Staff Memorandum and Final Staff Internal Memorandum, Attachment 3 - Cash Flow Analysis, filed January 28, 2009).

9. Staff concluded that the project, incorporating Staff's recommended rates, is financially feasible and should be approved. (See, Final Joint Staff Memorandum and Final Staff Internal Memorandum, filed January 28, 2009).

10. No public protests or objections to the District's certificate application were received by the Public Service Commission during the thirty (30) day public protest period or as of the date of this Recommended Decision. (See, case file generally).

11. The District did not object to Staff's recommendations set forth in the Final Joint Staff Memorandum and Final Staff Internal Memorandum which were filed in this case on January 28, 2009. (See, case file generally).

12. The Fayette County Commission proposed, and the Public Service Commission approved, a boundary enlargement for the District to incorporate the project area within its boundaries and a corresponding boundary reduction in New Haven Public Service District's boundaries to remove the project area from its boundaries. (See Case No. 08-1861-PWD-PC generally).

13. As of the date of this Order, the Town of Meadow Bridge has not filed the letter consenting to Danese Public Service District serving customers within its service area. (See, case file generally).

CONCLUSIONS OF LAW

1. The public convenience and necessity requires the extension of Danese Public Service District's existing water distribution system, as described in its certificate application filed with the Public Service Commission on October 24, 2008.

2. It is reasonable to grant Danese Public Service District's application for a certificate of public convenience and necessity to construct the proposed extension of its existing water

distribution system to serve approximately 320 new customers in the areas of Fayette County known as Clifftop, Hilton Village, Corliss, Russellville, Loops Road, Beelick Knob and the upper portion of Smokey Branch Road, with one modification relating to the Town of Meadow Bridge. If the appropriate consent from the Town cannot be obtained, the District may not extend its system into the Town's service area, pursuant to West Virginia Code §16-13A-8. If that prohibition substantially modifies this project, the District will have to petition the Commission to reopen this matter and seek approval of a revised project which excludes any service area of the Town.

3. It is reasonable to approve the proposed financing for the project, consisting of a grant from the Abandoned Mine Lands program in the amount of \$6,268,647; a grant from the United States Department of Agriculture Rural Utilities Service in the amount of \$1,370,000; a grant from the Appalachian Regional Commission in the amount of \$1,500,000; and a loan from the United States Department of Agriculture Rural Utilities Service in the amount of \$1,351,000, at an annual interest rate of 4.125% for a term of forty (40) years.

4. The District's current rates, which were approved in Case No. 05-1626-PWD-19A, and became effective for all service rendered after May 1, 2006, are not sufficient to cover the increased operation and maintenance expenses, taxes and debt service requirements generated by the project certificated herein.

5. It is reasonable to approve the Staff-recommended rates set forth in Appendix A, attached hereto, which are sufficient, but not more than sufficient, to cover the increased operation and maintenance expenses, taxes and debt service requirements generated by the project certificated herein.

ORDER

IT IS, THEREFORE, ORDERED that the certificate application filed herein on October 24, 2008, by Danese Public Service District, for a certificate of convenience and necessity to construct an extension of its existing water distribution system to provide public water service to approximately 320 new customers in the areas of Fayette County, West Virginia known as Clifftop, Hilton Valley, Corliss, Russellville, Loops Road, Beelick Knob, and upper portion of Smokey Branch Road, be, and hereby is, granted, contingent upon the District obtaining from the Town Council of the Town of Meadow Bridge the necessary consent for the District to extend its system into and/or serve customers in the Town's service area, as required by West Virginia Code §16-13A-8. If the required consent cannot be obtained, Danese Public Service District may not extend its system into or serve customers in the service area of the Town of Meadow Bridge.

IT IS FURTHER ORDERED that the financing for the project, consisting of a grant from the Abandoned Mine Lands program in the amount of \$6,268,647; a grant from the United States Department of Agriculture Rural Utilities Service in the amount of \$1,370,000; a grant from the Appalachian Regional Commission in the amount of \$1,500,000; and a loan from the United States

Department of Agriculture Rural Utilities Service in the amount of \$1,351,000, at an annual interest rate of 4.125% for a term of forty (40) years, be, and hereby is, approved.

IT IS FURTHER ORDERED that the Staff-recommended water rates and charges, more particularly set forth in Appendix A attached hereto, be, and hereby are, approved for all water service rendered by Danese Public Service District, on and after the date on which the project certificated herein is certified as substantially complete.

IT IS FURTHER ORDERED that Danese Public Service Commission file an original and at least five (5) copies of a revised tariff containing the rates and charges approved herein within thirty (30) days of substantial completion of the project.

IT IS FURTHER ORDERED that, should the Town of Meadow Bridge consent to this project and should the District connect to the Town of Meadow Bridge's water main, the District shall petition the Public Service Commission for an appropriate rate review and class cost of service study and for approval of an inter-utility agreement.

IT IS FURTHER ORDERED that Danese Public Service District submit a certificate of substantial completion from its professional engineer for each contract associated with this water line extension project, as soon as each becomes available.

IT IS FURTHER ORDERED that Danese Public Service District file a copy of the engineer's certified tabulation of bids for each construction contract or vendor bid contract awarded for this project, within ten (10) days of the bid opening date.

IT IS FURTHER ORDERED that, should there be any changes in the scope or plans of the project, or if a change in project cost or project financing affects the rates approved for the project, Danese Public Service District obtain Public Service Commission approval of such changes, prior to commencing construction.

IT IS FURTHER ORDERED that, if there is any change in project cost or financing that does not affect rates, Danese Public Service District is not required to obtain Commission approval of such change. However, in such case, Danese Public Service District shall file an affidavit with the Public Service Commission, duly executed by its Certified Public Accountant, verifying that rates are not affected.

IT IS FURTHER ORDERED that, if this project requires the use of Division of Highways' rights-of-way, Danese Public Service District comply with all rules and regulations of the Division of Highways regarding the use of those rights-of-way.

IT IS FURTHER ORDERED that Danese Public Service District establish a consistent policy regarding the installation and maintenance of pressure regulators.

IT IS FURTHER ORDERED that Danese Public Service District notify all affected customers of high main line pressure, greater than 100 psi.

IT IS FURTHER ORDERED that Danese Public Service District submit a plan, within three (3) months of the date upon which this Recommended Decision becomes a final order of the Commission, for reducing its unaccounted-for water losses to a level below fifteen percent (15%).

IT IS FURTHER ORDERED that Danese Public Service District submit a plan for identification of existing leaks, within one (1) year from the date of completion of the project certificated herein.

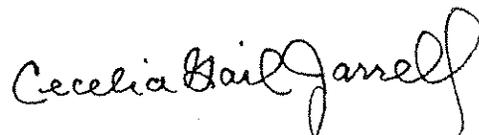
IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this Recommended Decision upon the Commission by hand delivery and upon all other parties of record by United States Certified mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions, supported by a brief, with the Executive Secretary of the Public Service Commission, within fifteen (15) days of the date this Recommended Decision 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 Recommended Decision 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 Recommended Decision by filing an appropriate petition, in writing, with the Commission's Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make an Administrative Law Judge's Recommended Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Public Service Commission.



Cecelia Gail Jarrell
Administrative Law Judge

CGJ:s:cdk
081837a.wpd

DANESE PUBLIC SERVICE DISTRICT
CASE NO. 08-1837-PWD-CN

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, and industrial water service.

RATES (customers with metered water supply)

First	3,000 gallons used per month	\$9.44 per 1,000 gallons
Next	7,000 gallons used per month	\$7.62 per 1,000 gallons
Next	10,000 gallons used per month	\$6.44 per 1,000 gallons
All Over	20,000 gallons used per month	\$5.92 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, depending on the size of the meter installed:

5/8 x 3/4 -inch meter	\$ 28.32 per month
3/4 -inch meter	\$ 42.48 per month
1 -inch meter	\$ 70.80 per month
1-1/4 -inch meter	\$ 103.37 per month
1-1/2 -inch meter	\$ 141.60 per month
2 -inch meter	\$ 226.56 per month
3 -inch meter	\$ 453.12 per month
4 -inch meter	\$ 708.00 per month
6 -inch meter	\$1,416.00 per month
8 -inch meter	\$2,265.60 per month

DELAYED PAYMENT PENALTY

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

TAP FEE

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

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

RECONNECTION FEE

\$25.00

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

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

\$0.88 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible water leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above customer's historical average usage.

AFFIDAVIT OF PUBLICATION

BECKLEY NEWSPAPERS

BECKLEY, WEST VIRGINIA 25801

November 06, 2008

COPY OF PUBLICATION

STATE OF WEST VIRGINIA
COUNTY OF FAYETTE, to wit:

I, Michelle Dunn, being duly sworn upon my oath, do depose and say that I am Legal Advertising Clerk for Beckley Newspapers, a corporation, publisher of the newspaper entitled The Fayette Tribune, a Republican newspaper; that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published twice-weekly for at least fifty weeks during the calendar year, in the municipality of Oak Hill, Fayette County, West Virginia; that such newspaper is a newspaper of "general circulation" as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price of consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements and other notices; that the annexed notice

of AMENDED NOTICE OF FILING
(Description of notice)

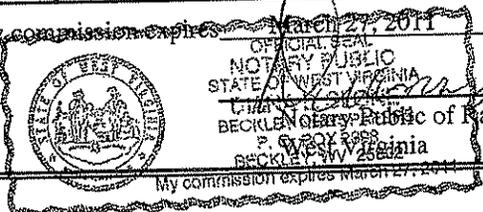
was duly published in said newspaper once a week for one successive weeks (Class 1), commencing with the issue of the 6th day of November, 2008, and ending with the issue of the 6th day of November, 2008, (and was posted at the Fayette County Courthouse

on the 6th day of November, 2008); that said annexed notice was published on the following dates: _____

11/06/08 and that the cost of publishing said annexed notice as aforesaid was \$ 160.13

Signed Michelle Dunn
Michelle Dunn
Legal Advertising Clerk
Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this:
6th day of November, 2008

My commission expires March 27, 2011

Charles L. Stone
Notary Public
State of West Virginia
Beckley City, Raleigh County,
West Virginia
My commission expires March 27, 2011

RECEIVED
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W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered by the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 29th day of October 2008.

CASE NO. 08-1837-PWD-CN

DANESE PUBLIC SERVICE DISTRICT
PO Drawer C

Danese, West Virginia 25831
Application for a Certificate of Convenience and Necessity to construct an extension of the Danese water system.

AMENDED NOTICE OF FILING

On October 24, 2008, Danese Public Service District ("District"), a public utility, filed an application, duly verified, for a Certificate to construct certain additions to the Danese water system in Fayette County. The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

The District estimates that construction will cost approximately \$10,489,647.00. It is proposed that the construction will be financed as follows: An Abandoned Mine Lands grant in the amount of \$6,268,647.00; a RUS grant in the amount of \$1,370,000.00; a RUS loan in the amount of \$1,351,000.00; and an ARC grant in the amount of \$1,500,000.00.

The utility anticipates charging the following rates for its customers:

First 3,000 Gallons Used Per Month	\$9.63 per 1,000 gallons
Next 3,000 Gallons Used Per Month	\$7.78 per 1,000 gallons
Next 10,000 Gallons Used Per Month	\$6.57 per 1,000 gallons
All Over 20,000 Gallons Used Per Month	\$6.03 per 1,000 gallons

MINIMUM MONTHLY BILL for 3,000 gallons \$28.90 per month

DELAYED PAYMENT PENALTY

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

CONNECTION CHARGE

Prior to construction	\$100.00
After construction passes the premises to be served, charge for connection to system	\$325.00

These rates represent the following project-related increases:

	(\$)INCREASE	(%)INCREASE
Residential	151,143	66
Commercial	662	11
Other-Public Authority	2,805	11
Penalty	636	11

These rates represent the following non project-related increases:

	(\$)INCREASE	(%)INCREASE
Residential	9,647	4
Commercial	42	1
Other-Public Authority	129	1
Penalty	41	1

The District does not have any resale customers.

The proposed increased rates and charges will produce approximately \$165,154.00 annually in additional revenue, an increase of 62%.

The increases shown are based on averages of all customers in the indicated class. Individual customers that are greater or less than average. Furthermore, the requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing.

Pursuant to §24-2-11, West Virginia Code IT IS ORDERED that the Danese Public Service District give notice of the filing of said application, by publishing a copy of this order once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Fayette County; making due return to this Commission of proper certification of publication immediately after publication. Anyone desiring to protest or intervene should file a written protest or notice of intervention within 30 days following 30 days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or intervene can affect your right to protest aspects of this certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or intervention. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's rules of Practice and Procedure. All protests and interventions should be addressed to Sandra Squire, Executive Secretary, P.O. Box 812, Charleston, West Virginia 25323.

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

A True Copy, Testes
Sandra Squire
Executive Secretary

WEST VIRGINIA PUBLIC SERVICE COMMISSION SECRETARY'S OFFICE

2008 NOV 17 PM 1 15

RECEIVED

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

RECEIPT FOR SERIES 2009 A BONDS

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 this 24th day of September, 2009 as follows:

1. On the 24th day of September, 2009, at Danese, West Virginia, the undersigned received for the Purchaser the Danese Public Service District Water Revenue Bonds, Series 2009 A (United States Department of Agriculture), No. AR-1 (the "Series 2009 A Bonds"), issued as a single, fully registered Bond, in the principal amount of \$1,351,000, dated the date hereof, bearing interest at the rate of 4.125% per annum, payable in monthly installments as stated in the Bond. The Series 2009 A Bonds represent the entire above captioned Bond issue.
2. At the time of such receipt, the Series 2009 A 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 \$78,587.03, being a portion of the principal amount of the Series 2009 A Bonds. The balance of the principal amount of the Series 2009 A Bonds will be advanced by the Purchaser to the Issuer as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Blank]

WITNESS my signature on the day and year first written above.


Authorized Representative

09.03.09
210780.00001

SPECIMEN

UNITED STATES OF AMERICA
DANESE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2009 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

\$1,351,000

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 ONE MILLION THREE HUNDRED FIFTY-ONE THOUSAND DOLLARS (\$1,351,000), plus interest on the unpaid principal balance at the rate of 4.125% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$5,877, 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 is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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 September 22, 2009, 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 Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2002 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED AUGUST 22, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$692,000 (THE "SERIES 2002 BONDS" OR "PRIOR BONDS").

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

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]

Richard [Signature]
(Signature of Executive Official)

Chairman:

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

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

ATTEST:

Laurence [Signature]
(Signature of Attesting Official)

Secretary:

EXHIBIT A
RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$78,587.03	09/24/09	(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:

DANESE PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2009 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$1,351,000

REGISTRATION BOOKS

(No writing on these Books except by the Issuer as Registrar)

Bond No.	Date of Registration	In Whose Name Registered	Signature of Secretary of Registrar
AR-1	September 24, 2009	United States Department of Agriculture	<i>Laurence R. Boloy</i>

09.03.09
210780.0001

CH4979184.1



Chase Tower, Eighth Floor

Writer's Contact Information

P.O. Box 1588

Charleston, WV 25326-1588

(304) 353-8000 (304) 353-8180 Fax

www.step toe-johnson.com

September 24, 2009

Danese Public Service District
Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

United States Department of Agriculture
Beckley, West Virginia

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 \$1,351,000 Water Revenue Bonds, Series 2009 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 Bond Resolution duly adopted by the Issuer on September 22, 2009 (the "Bond Legislation"). We have examined the law and such certified copies of 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 Bond Legislation 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 full power to adopt and enact the Bond Legislation, perform the agreements on its part contained therein and issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Bond Legislation has been duly and effectively adopted and enacted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Bond Legislation creates a valid lien on the funds pledged by the Bond Legislation for the security of the Bonds, on a parity with the Issuer's Water Revenue Bonds, Series 2002 (United States Department of Agriculture), dated August 22, 2002, issued in the original aggregate principal amount of \$692,000 (the "Series 2002 Bonds" or "Prior Bonds").

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 Bond Legislation.

5. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

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

09.04.08
210780.00001

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

September 24, 2009

Danese Public Service District
Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Steptoe & Johnson PLLC
Charleston, 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 September 22, 2009 (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 on 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.

Very truly yours,



JAMES C. BLANKENSHIP, III, ESQUIRE

09.04.08
210780.00001

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 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. CONFLICT OF INTEREST
15. PROCUREMENT OF ENGINEERING SERVICES
16. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of the Public Service Board of Danese Public Service District, in Fayette County, West Virginia (the "Issuer"), and the undersigned COUNSEL for the Issuer, acting for the Issuer and in its name, hereby state and certify on this the 24th day of September, 2009, in connection with the Danese Public Service District Water Revenue Bonds, Series 2009 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$1,351,000 (the "Series 2009 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 Series 2009 A Bonds have 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 from the Purchaser, dated April 11, 2007, and all amendments thereto, and the Resolution of the Issuer duly adopted on September 22, 2009, authorizing issuance of the Series 2009 A 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 Bond Resolution when used herein. The Series 2009 A Bonds are being issued on this date to (i) finance a portion of the cost associated with the acquisition and construction of the Project, and (ii) pay certain costs associated with the cost of issuance and related costs not otherwise provided for.

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 Series 2009 A Bonds or receipt of any grant monies, if any, committed for the System, hereinafter defined; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2009 A Bonds; nor in any way questioning or affecting the validity of the grants, if any, committed for the System or the validity of the Series 2009 A 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 Series 2009 A 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 Series 2009 A 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 Official West Virginia Code of 1931, as amended, which bids remain in full force and effect.

The Issuer has received a Recommended Decision of the Public Service Commission of West Virginia (the "PSC") entered on January 28, 2009, in Case No. 08-1837-PWD-CN, which became a Final Order on March 27, 2009, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the Final Order has expired prior to the date hereof without any appeal. Such Final Order remains in full force and effect.

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 the acquisition and construction of the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2009 A Bonds as to liens, pledge and source of and security for payment, and in all respects, being the Issuer's Water Revenue Bonds, Series 2002 (United States Department of Agriculture), dated August 22, 2002, issued in the original aggregate principal amount of \$692,000 (the "Series 2002 Bonds" or "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 2009 A Bonds as to liens, pledge and/or service 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 hereof, officially execute and seal the Series 2009 A 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 or appointed (as applicable), qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Series 2009 A 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 or changed in any way unless modification appears from later documents also listed below:

Bond Resolution

Prior Bond Resolutions

Consent of USDA to Issuance of Parity Bonds

USDA Letter of Conditions, with all amendments

Public Service Commission Order(s)

County Commission Orders on Creation of District

County Commission Orders of Appointment of Current Board Members

Oaths of Office of Current Board Members

Rules of Procedure

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

United States Department of Agriculture Loan Agreement

United States Department of Agriculture Grant Agreement

Evidence of Appalachian Regional Commission grant

Evidence of Abandoned Mine Lands grant

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:

Name	Date of Commencement of Office	Date of Termination of Office
Richard Kinder	03/07/08	03/30/14
Lawrence R Boley	02/05/06	03/30/12
Robert Richards	08/14/09	03/30/10

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2009 are as follows:

Chairman	-	Richard Kinder
Secretary	-	Lawrence Boley

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 Series 2009 A 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 Series 2009 A Bonds have been duly and fully executed and sealed on behalf of the Issuer in accordance with the Resolution.

At the time of delivery of the Series 2009 A Bonds, the undersigned Chairman received \$78,587.03, being a portion of the principal amount of the Series 2009 A Bonds. Further advances of the balance of the principal amount of the Series 2009 A Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

The Series 2009 A Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.125% per annum is payable from the date of each respective advance.

The Series 2009 A 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 Series 2009 A 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 official West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed (as applicable), 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 and Commitment of the Purchaser, as amended, and the Resolution.

12. CONNECTIONS, ETC.: The Issuer will serve at least 737 bona fide users with the System upon the completion of the Project, 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 the Purchaser.

14. 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 Series 2009 A 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.

15. 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.

16. 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 corporate seal of DANESE PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Richard Kinch

Chairman

Lawrence R. Boley

Secretary

J. C. [Signature]

Attorney for Issuer

09.04.08
210780.00001

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

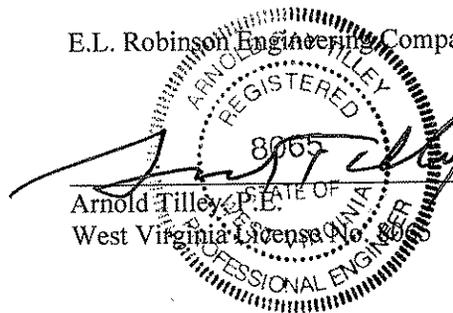
I, Arnold Tilley, Registered Professional Engineer, West Virginia License No. 8065, of E.L. Robinson Engineering Company, Beckley, West Virginia, hereby certify that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing waterworks system (the "System") of 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.

I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

I further certify that the Project is adequate for the purpose for which it was designed and that the necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained.

WITNESS my signature on this 24th day of September, 2009.

E.L. Robinson Engineering Company



09.05.08
210780.00001

CH4979293.2

Imre David Pentek, CPA

P.O. Box 1390 Lewisburg, WV 24901 (304) 647-3949
Fax: (304) 647-3498 E-Mail: imre@writeme.com

September 24, 2009

Danese Public Service District
Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

United States Department of Agriculture
Beckley, West Virginia

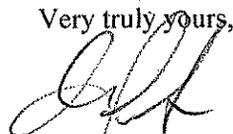
Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the water rates and charges set forth in the Recommended Decision of the Public Service Commission of West Virginia entered January 28, 2009, in Case No. 08-1837-PWD-CN, which became a Final Order on March 27, 2009, and projected operating expenses and anticipated customer usage as furnished to me by E.L. Robinson Engineering Company, Consulting Engineer, 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 Danese Public Service District (the "Issuer"), will provide for all Operating Expenses of the System and will leave a balance each year equal to at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Water Revenue Bonds, Series 2002 (United States Department of Agriculture), dated August 22, 2002, issued in the original aggregate principal amount of \$692,000 (the "Series 2002 Bonds" or "Prior Bonds") and the Series 2009 A Bonds.

It is further my opinion that the Net Revenues for the Fiscal Year following the year in which the Series 2009 A Bonds are issued will be at least 115% of the average annual debt service on the Prior Bonds and the Series 2009 A Bonds.

Very truly yours,



Imre D. Pentek


America Counts on CPAs

**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 28th day of July, 2006.

CASE NO. 06-0710-PWD-PC

FAYETTE COUNTY COMMISSION

Petition for consent and approval to dissolve
Meadow Bridge Public Service District and to
enlarge Danese Public Service District

COMMISSION ORDER

The County Commission's petition is granted.

BACKGROUND

On May 30, 2006, the Fayette County Commission (County Commission) filed a petition for consent and approval to dissolve the Meadow Bridge Public Service District (Meadow Bridge PSD) and to enlarge the Danese Public Service District (Danese PSD) pursuant to *W. Va. Code* § 16-13A-2.

The County Commission included a copy of its May 2, 2006, order and notice which set the date of its public hearing for May 26, 2006. The County Commission noted in its order and notice that the Meadow Bridge PSD is a non-operating utility which has never owned any physical facilities, imposed tariffs, or filed annual reports with the Commission. Additionally, the County Commission noted that the Meadow Bridge PSD currently has no appointed board members.

The County Commission attached a copy of an affidavit of publication evidencing that notice of the May 26, 2006, hearing was published on May 8, 2006, in *The Fayette Tribune*. Additionally, the County Commission provided a copy of its May 26, 2006, order which, subject to this Commission's approval, enlarged the Danese PSD and dissolved the Meadow Bridge PSD. In its order, the County Commission noted that it posted a copy of its May 2, 2006, order and notice in five conspicuous places in the Danese PSD and Meadow Bridge PSD more than ten (10) days prior to the May 26, 2006, hearing.

On June 9, 2006, Staff filed its Initial and Final Joint Staff Memorandum. Staff was of the opinion that the County Commission had substantially complied with the requirements of *W. Va. Code* § 16-13A-2. Staff noted that *W. Va. Code* §16-13A-2 was amended to make clear that the Commission was not required to hold a public hearing in boundary modification cases.¹ Instead, it is within the Commission's discretion to determine whether or not a hearing is needed in boundary modification cases.

Staff stated its concern that the affected public has had no notice of the proceeding before the Commission or of its ability to provide information to the Commission as to why or why not the boundary change should be allowed to occur. In the past, the public was notified of the proceeding at the Commission when the Commission would direct the utility to provide notice of the Commission hearing. However, since the Commission is no longer required to have such a hearing, the public may not be made aware of the Commission proceeding through a notice of hearing. In this case, the public was not notified of the Commission proceeding. Thus, Staff recommended that the Commission issue an order requiring the District to publish a notice of the proceeding.

Upon proof that notice was provided and if no substantial protest is filed, then Staff recommended that the Commission issue an order approving the Fayette County Commission's petition to enlarge the boundaries of the Danese PSD and dissolve the Meadow Bridge PSD.

DISCUSSION

West Virginia Code § 16-13A-2 establishes the requirements for enlarging public service district boundaries. In accordance with that procedure, the County Commission issued an order approving the enlargement of Danese PSD's boundaries. However, no County Commission order regarding public service district boundary modifications can be effective without approval of this Commission.

It is within the Commission's discretion to determine whether or not notice and hearing are necessary in boundary modification cases. (*W. Va. Code* § 16-13A-2). A hearing was noticed and held in the county affected by the dissolution and boundary expansion. Additionally, the Meadow Bridge PSD is a non-operating utility that has never owned any physical facilities, imposed tariffs, or filed annual reports. Based upon the circumstances in this case, the Commission will not require that any further notice or hearing be required.

¹ This amendment went into effect on July 8, 2005 (see House Bill 3045 which was passed on April 9, 2005, and effective ninety days from passage). Prior to this amendment, the Public Service Commission was statutorily required to hold a hearing.

Based upon the matters contained in the record, the Commission will approve the requested dissolution of Meadow Bridge PSD and expansion of Danese PSD.

FINDINGS OF FACT

1. On May 30, 2006, the County Commission filed a petition for consent and approval to dissolve the Meadow Bridge PSD and to enlarge the Danese PSD pursuant to *W. Va. Code* § 16-13A-2.

2. The Meadow Bridge PSD is a non-operating utility which has never owned any physical facilities, imposed tariffs, or filed annual reports with the Commission. The Meadow Bridge PSD currently has no appointed board members.

3. After notice and hearing, the County Commission issued an order approving the dissolution of the Meadow Bridge PSD and the expansion of the Danese PSD. (See, Petition and attachments).

4. Staff recommended that the dissolution of the Meadow Bridge PSD and the expansion of the Danese PSD, as described in the petition, be granted subject to the provision of notice of this proceeding.

CONCLUSIONS OF LAW

1. No County Commission order regarding public service district boundary modifications can be effective without approval of this Commission. See, *W. Va. Code* § 16-13A-2.

2. Adequate public notice of the dissolution of the inactive Meadow Bridge PSD and enlargement of the boundaries of the Danese PSD has been provided. Under the circumstances, additional notice and hearing will not be required.

3. It is appropriate to approve the dissolution and boundary enlargement, as set out in the petition.

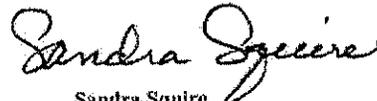
ORDER

IT IS, THEREFORE, ORDERED that the Fayette County Commission's petition for consent and approval to dissolve the Meadow Bridge Public Service District and to enlarge the boundaries of the Danese Public Service District is hereby granted.

IT IS FURTHER ORDERED that upon entry of this order, this case shall 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.

A True Copy, Teste:


Sandra Squire
Executive Secretary

JMH/las
060710c.wpd

BEFORE THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE: THE DANESE PUBLIC SERVICE DISTRICT and
THE MEADOW BRIDGE PUBLIC SERVICE DISTRICT

ORDER AND NOTICE

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VA. PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

WHEREAS, on the 24th day of March, 2006, the County Commission considered the representations of the Danese Public Service District and its engineer that a water extension project proposed by said District could extend public water service to areas of Fayette County, West Virginia outside the current territory of said District; and,

WHEREAS, the residents of Fayette County to be served by the proposed water extension project are not being furnished with public water service from any other source; and,

WHEREAS, the provisions of §16-13A-2(a)(1) of the West Virginia Code permit the County Commission to propose on its own motion by Order duly adopted the enlargement of a public service district by giving its consent thereto; and,

WHEREAS, the Danese Public Service District also proposes to extend its physical facilities to provide public water service to a portion of the territory encompassed by the Meadow Bridge Public Service District; and,

WHEREAS, the Meadow Bridge Public Service District is considered by the Public Service Commission to be a non-operating utility, which District has never owned any physical facilities, has never imposed tariffs, has not filed annual reports with the Commission and currently has no Commissioners appointed by the Fayette County Commission; and,

WHEREAS, the provisions of §16-13A-2(a)(1) of the West Virginia Code permit the County Commission to propose on its own motion by the Order duly adopted the dissolution of a public service district; and,

WHEREAS, upon motion duly made and seconded, the County Commission, upon its own motion, approved the following action, to-wit:

The Fayette County Commission does hereby propose the enlargement of the Danese Public Service District, subject to the written consent of the West Virginia Public Service Commission pursuant to the provisions of §16-13A-2(a)(1) of the West Virginia Code, to encompass the following described territory, to-wit:

Beginning at a point on Beelick Knob, said point having a latitude of 37° 51' 59" and a longitude of 80° 51' 54"; thence, west 7.38 miles, more or less, to a point having a latitude of 37° 51' 59" and a longitude of 81° 00' 00"; thence, north 12.10 miles, more or less, to a point having a latitude of 38° 02' 30" and a longitude of 81° 00' 00"; thence, east 9.27 miles, more or less, to a point in the Meadow River, said point having a latitude of 38° 02' 30" and a longitude of 80° 49' 49"; thence, southerly 1.90 miles, more or less, with the Meadow River to a point having a latitude of 38° 01' 40" and a longitude of 80° 48' 41"; thence, south 6.64 miles, more or less, to a point having a latitude of 37° 55' 54" and a longitude of 80° 48' 42"; thence, southwest 4.99 miles, more or less, to a point on the northeast corner of the Meadow Bridge boundary line, said point having a latitude of 37° 52' 10" and a longitude of 80° 51' 30"; thence, southwest 0.33 miles, more or less, with said boundary line of Meadow Bridge to a point on the northwest corner of the Meadow Bridge boundary line, said point having a latitude of 37° 51' 56" and a longitude of 80° 51' 43"; thence, northwest 0.17 miles, more or less, to the point of beginning and containing 117.54 square miles, more or less.

WHEREAS, upon motion duly made and seconded, the County Commission, upon its own motion, approved the following action, to-wit:

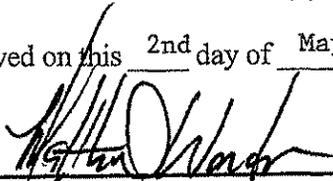
The Fayette County Commission does hereby propose the dissolution of the Meadow Bridge Public Service District, subject to the written consent of the West Virginia Public Service Commission pursuant to the provisions of 16-13A-2(a)(1) of the West Virginia Code.

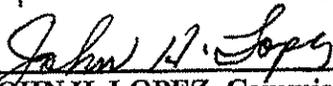
THEREFORE, it is the **ORDER** of the Commission that a hearing on the proposed enlargement of the Danese Public Service District as aforesaid and the dissolution of the Meadow Bridge Public Service District as aforesaid shall be conducted at the County Commission Courtroom located on the 1st floor of the Fayette County Courthouse in Fayetteville, Fayette County, West Virginia on the 26th day of May, 2006 at 11:00 o'clock a. .m.,

and NOTICE of said hearing and the time and place thereof as aforesaid shall be published as a Class I legal advertisement in compliance with the provisions of §59-3-1 *et. seq.* of the West Virginia Code.

At the hearing to be conducted as aforesaid, the County Commission shall consider and determine the feasibility of the dissolution of the Meadow Bridge Public Service District, the feasibility of the enlargement of the Danese Public Service District and shall determine if the construction, maintenance, operation, improvement and extension of the public service property by the Danese Public Service District will be conducive to the preservation of public health, comfort and convenience of such area and whether the present or proposed physical facilities of the Danese Public Service District are adequate to provide water service to such enlarged area.

This ORDER and NOTICE was approved on this 2nd day of May, 2006.


MATTHEW D. WENDER, President


JOHN H. LOPEZ, Commissioner


KENNETH ESKEW, Commissioner

West Virginia, County of Fayette:
I, KELVIN E. HOLLIDAY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix the seal of said Commission this the MAY 2 of 2006, 20__

KELVIN E. HOLLIDAY, Clerk

By  Deputy

BEFORE THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE: THE DANESE PUBLIC SERVICE DISTRICT and
THE MEADOW BRIDGE PUBLIC SERVICE DISTRICT

CERTIFICATE OF POSTING

I, Cynthia Jones, Office Manager of the Danese Public Service District do hereby certify that I have made the following postings of the Order and Notice as required by the West Virginia Public Service Commission, to-wit:

DANESE PUBLIC SERVICE DISTRICT

<u>Location</u>	<u>Date</u>	<u>Time</u>
1. <u>Danese Post Office</u>	<u>5-08-06</u>	<u>2:40 PM</u>
2. <u>Our Place Store</u>	<u>5-08-06</u>	<u>2:45 PM</u>
3. <u>Todd Pugh Telephone Pole</u>	<u>5-9-06</u>	<u>12:00 noon</u>
4. <u>DPSD</u>	<u>5-8-06</u>	<u>2:40 PM</u>
5. <u>Rogor's Brewery</u>	<u>5-10-06</u>	<u>9:20 AM</u>

MEADOW BRIDGE PUBLIC SERVICE DISTRICT

<u>Location</u>	<u>Date</u>	<u>Time</u>
1. <u>Cecil Ewing RT 1 BX 36D</u>	<u>5-8-06</u>	<u>3:04 PM</u>
2. <u>Harold Lillys Alaska Mt Rd</u>	<u>5-08-06</u>	<u>3:07 PM</u>
3. <u>Corner of 31 & Alaska Mt Rd</u>	<u>5-08-06</u>	<u>3:12 PM</u>
4. <u>31 and Johnson Rd</u>	<u>5-08-06</u>	<u>3:21 PM</u>
5. <u>Beelick Knob Tabernacle</u>	<u>5-08-06</u>	<u>3:26 PM</u>

Cynthia M. Jones
CYNTHIA JONES

Title: Office Manager



FAYETTE COUNTY COMMISSION

FAYETTEVILLE, WV 25840-0307

TELEPHONE (304) 574-4290

FAX (304) 574-4255

JOHN H. LOPEZ
SMITHERS, WV
COMMISSIONER

MATTHEW D. WENDER
OAK HILL, WV
PRESIDENT

KENNETH L. ESKEW
FAYETTEVILLE, WV
COMMISSIONER

CHARLOTTE N. HOLLY, C.P.A.
ADMINISTRATOR

May 25, 2006

Public Service Commission of West Virginia
Attn: Sandra Squire, Executive Secretary
Post Office Box 812
Charleston, West Virginia 25323

Dear Ms. Squire:

In accordance with §16-13A-2 of the Code of West Virginia, the Fayette County Commission does hereby file for your review and approval a certified copy of our order entered on May 26, 2006, dissolving the Meadow Bridge Public Service District and enlarging Danese Public Service District.

Also, please find copies of the Affidavit of Publication and the Notices of Posting by Fayette County in this matter.

Respectfully submitted,

Matthew D. Wender
President

MDW:jch

cc: James Blankenship, Attorney
Amy Swann

**WEST VIRGINIA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE**

BEFORE THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

THE DANESE PUBLIC SERVICE DISTRICT and
THE MEADOW BRIDGE PUBLIC SERVICE DISTRICT

ORDER

On the 26th day of May, 2006, a hearing was conducted before the County Commission pursuant to the Order and Notice of the Commission on May 2, 2006 regarding the enlargement of the Danese Public Service District and the dissolution of the Meadow Bridge Public Service District, said enlargement and dissolution having been proposed by the County Commission pursuant to the provisions of West Virginia Code §16-13A-2(a)(1) on its own Motion by Order duly adopted.

Whereupon, the County Commission heard and considered the testimony and evidence presented unto the County Commission at said hearing, and upon consideration thereof, the County Commission makes the following:

FINDINGS OF FACT

1. Notice of the aforesaid hearing and the time and place thereof, which Notice set forth a description of all of the territory proposed to be included in the Danese Public Service District and that the Meadow Bridge Public Service District may be dissolved was published as a Class I legal advertisement in compliance with the provisions of West Virginia Code §59-3-1 *et seq.* in compliance with the provisions of West Virginia Code §16-13A-2(c) and as set forth in the Affidavit of Publication of Beckley Newspapers, Inc. setting forth that said Notice was published on May 8, 2006 in the Fayette Tribune, a period of more than ten (10) days prior to the hearing as aforesaid, a copy of said Affidavit of Publication being attached hereto as Exhibit A.

2. The Order and Notice of the Commission dated May 2, 2006 was posted in five (5) conspicuous places in the Danese Public Service District and the Meadow Bridge Public Service District more than ten (10) days prior to the aforesaid hearing as set forth on the Certificate of

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2006 MAY 30 AM 9:01

WVA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Posting attached hereto as Exhibit B.

3. All persons residing in or owning or having any interest in property in the proposed enlargement of the Danese Public Service District and within the proposed dissolution of the Meadow Bridge Public Service District had an opportunity to be heard for and against such enlargement and dissolution at said hearing.

4. The construction, maintenance, operation, improvement and extension of the Public Service District properties by the Public Service District will be conducive to the preservation of the public health, comfort and convenience within the proposed enlargement area of the Danese Public Service District and the area of the Meadow Bridge Public Service District that is proposed to be dissolved.

5. The physical facilities of the Public Service District as proposed shall be adequate to provide for such enlarged service within the Danese Public Service District and the proposed dissolved area of the Meadow Bridge Public Service District.

Upon consideration of the foregoing Findings of Fact, and the County Commission being of the opinion that it is proper to do so, it is the **ORDER** and **JUDGMENT** of the County Commission, subject to the approval of the West Virginia Public Service Commission, that the Danese Public Service District is hereby enlarged to comprise the following area more particularly bounded and described as follows, to-wit:

Beginning at a point on Beelick Knob, said point having a latitude of 37° 51' 59" and a longitude of 80° 51' 54"; thence, west 7.38 miles, more or less, to a point having a latitude of 37° 51' 59" and a longitude of 81° 00' 00"; thence, north 12.10 miles, more or less, to a point having a latitude of 38° 02' 30" and a longitude of 81° 00' 00"; thence, east 9.27 miles, more or less, to a point in the Meadow River, said point having a latitude of 38° 02' 30" and a longitude of 80° 49' 49"; thence, southerly 1.90 miles, more or less, with the Meadow River to a point having a latitude of 38° 01' 40" and a longitude of 80° 48' 41"; thence, south 6.64 miles, more or less, to a point having a latitude of 37° 55' 54" and a longitude of 80° 48' 42"; thence, southwest 4.99 miles, more or less, to a point on the northeast corner of the Meadow Bridge boundary line, said point having a latitude of 37° 52' 10" and a longitude of 80° 51' 30"; thence, southwest 0.33

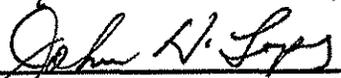
miles, more or less, with said boundary line of Meadow Bridge to a point on the northwest corner of the Meadow Bridge boundary line, said point having a latitude of 37° 51' 56" and a longitude of 80° 51' 43"; thence, northwest 0.17 miles, more or less, to the point of beginning and containing 117.54 square miles, more or less,

and it is the **ORDER** and **JUDGMENT** of the County Commission that the Meadow Bridge Public Service District should be and is hereby dissolved.

Approved and entered this 26th day of May, 2006.



MATTHEW D. WENDER, President



JOHN H. LOPEZ, Commissioner



KENNETH ESKEW, Commissioner

West Virginia, County of Fayette:

I, KELVIN E. HOLLIDAY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix the seal of said Commission this the 26 day of May, 2006

KELVIN E. HOLLIDAY, Clerk

By  Deputy

IN THE COUNTY COURT OF FAYETTE COUNTY, WEST VIRGINIA

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

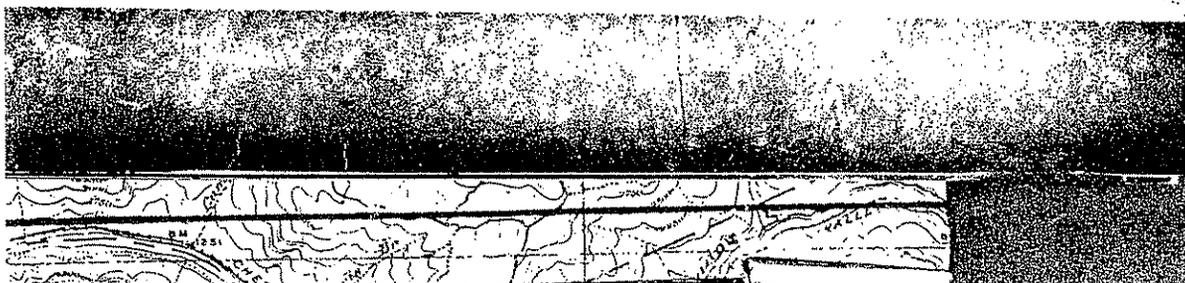
Whereas, the County Court of Fayette County, West Virginia, did heretofore by resolution and order, dated February 23, 1966, fix a date for public hearing on the creation of a proposed Danese Public Service District and in and by said resolution and order provide that all persons residing in or owning 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.

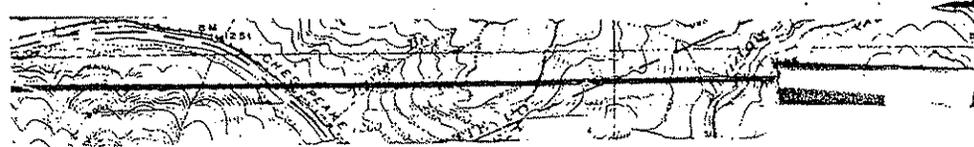
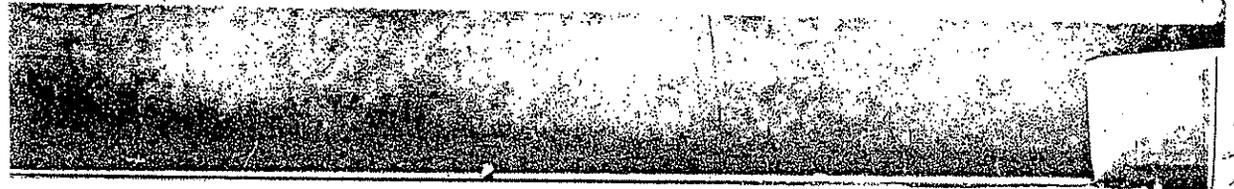
Section 2. That said Public Service District so created
shall have the name and corporate title of "Danese Public Service
District" and shall constitute a public corporation and political
subdivision of the State of West Virginia, having all the rights
and powers conferred upon Public Service Districts 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 Kessler
President

ATTEST:
Maria J.acy
Clerk



84.7 SQ. MI.

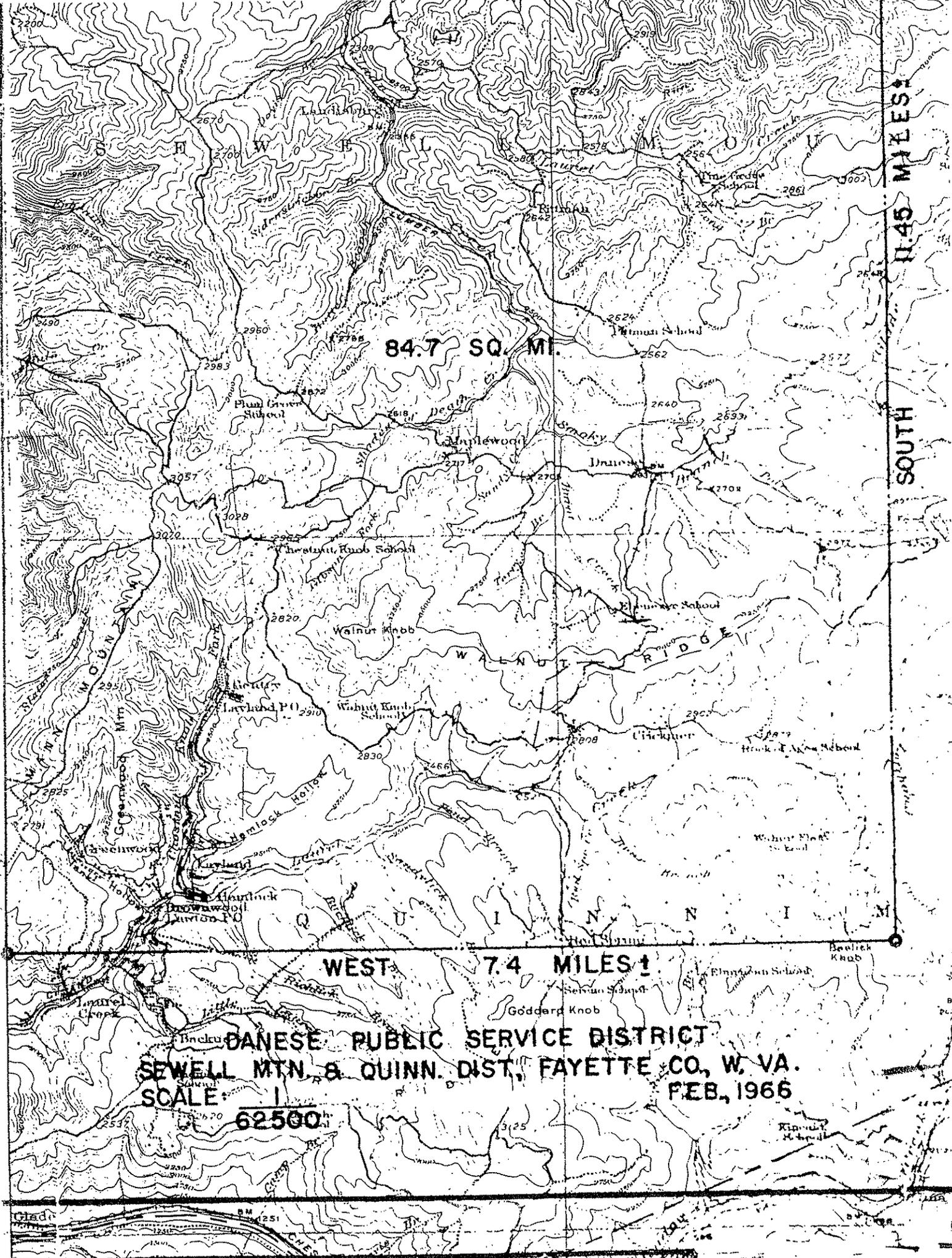
11.45 MILES

SOUTH

WEST 7.4 MILES

DANESE PUBLIC SERVICE DISTRICT
SEWELL MTN. & QUINN. DIST., FAYETTE CO., W. VA.
SCALE: 1" = 62500'

FEB, 1966

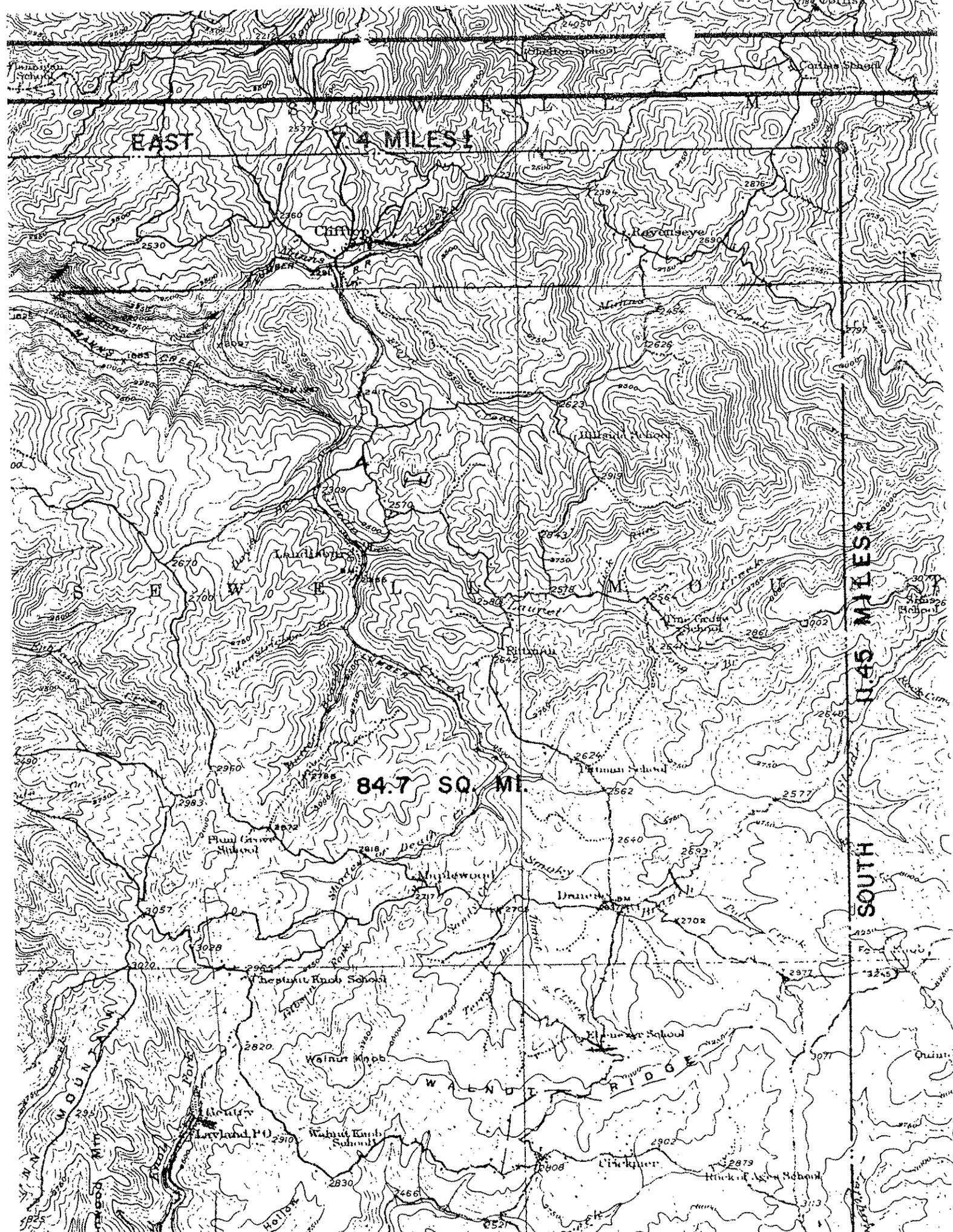


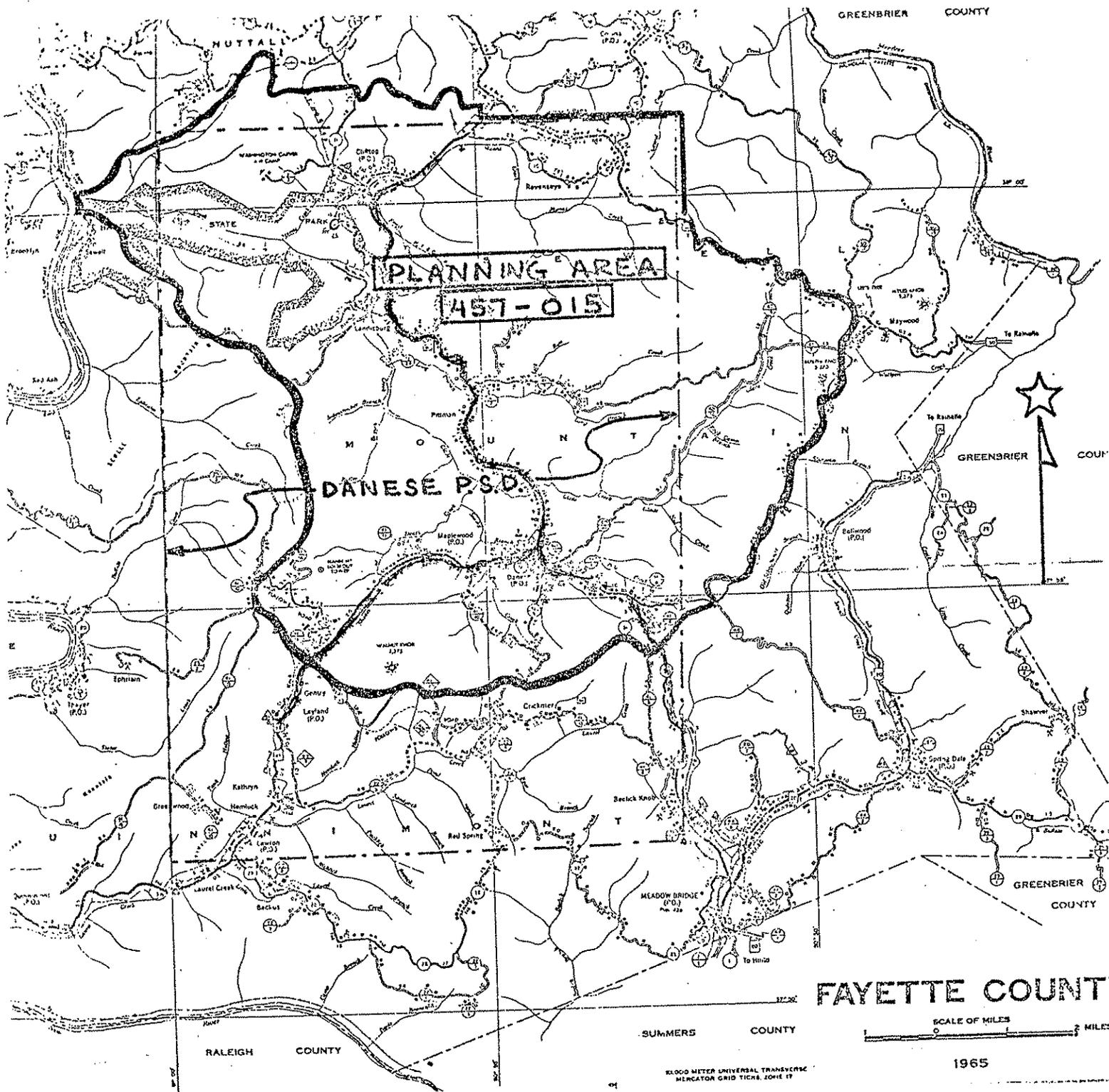
EAST 7.4 MILES

11.45 MILES

SOUTH

84.7 SQ. MI.





PLANNING AREA
457-015

DANESE P.S.D.

FAYETTE COUNTY

SCALE OF MILES
0 1 2 MILES

1965

8300 METER UNIVERSAL TRANSVERSE MERCATOR GRID TICS, ZONE 17

RALEIGH COUNTY

SUMMERS COUNTY

GREENBRIER COUNTY

GREENBRIER COUNTY

RECEIVED

2006 MAY 30 AM 9:01

WVA PUBLIC SERVICE COMMISSION SECRETARY'S OFFICE

BEFORE THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

THE DANESE PUBLIC SERVICE DISTRICT and THE MEADOW BRIDGE PUBLIC SERVICE DISTRICT

ORDER

On the 26th day of May, 2006, a hearing was conducted before the County Commission pursuant to the Order and Notice of the Commission on May 2, 2006 regarding the enlargement of the Danese Public Service District and the dissolution of the Meadow Bridge Public Service District, said enlargement and dissolution having been proposed by the County Commission pursuant to the provisions of West Virginia Code §16-13A-2(a)(1) on its own Motion by Order duly adopted.

Whereupon, the County Commission heard and considered the testimony and evidence presented unto the County Commission at said hearing, and upon consideration thereof, the County Commission makes the following:

FINDINGS OF FACT

1. Notice of the aforesaid hearing and the time and place thereof, which Notice set forth a description of all of the territory proposed to be included in the Danese Public Service District and that the Meadow Bridge Public Service District may be dissolved was published as a Class I legal advertisement in compliance with the provisions of West Virginia Code §59-3-1 et seq. in compliance with the provisions of West Virginia Code §16-13A-2(c) and as set forth in the Affidavit of Publication of Beckley Newspapers, Inc. setting forth that said Notice was published on May 8, 2006 in the Fayette Tribune, a period of more than ten (10) days prior to the hearing as aforesaid, a copy of said Affidavit of Publication being attached hereto as Exhibit A.

2. The Order and Notice of the Commission dated May 2, 2006 was posted in five (5) conspicuous places in the Danese Public Service District and the Meadow Bridge Public Service District more than ten (10) days prior to the aforesaid hearing as set forth on the Certificate of

Posting attached hereto as Exhibit B.

3. All persons residing in or owning or having any interest in property in the proposed enlargement of the Danese Public Service District and within the proposed dissolution of the Meadow Bridge Public Service District had an opportunity to be heard for and against such enlargement and dissolution at said hearing.

4. The construction, maintenance, operation, improvement and extension of the Public Service District properties by the Public Service District will be conducive to the preservation of the public health, comfort and convenience within the proposed enlargement area of the Danese Public Service District and the area of the Meadow Bridge Public Service District that is proposed to be dissolved.

5. The physical facilities of the Public Service District as proposed shall be adequate to provide for such enlarged service within the Danese Public Service District and the proposed dissolved area of the Meadow Bridge Public Service District.

Upon consideration of the foregoing Findings of Fact, and the County Commission being of the opinion that it is proper to do so, it is the **ORDER** and **JUDGMENT** of the County Commission, subject to the approval of the West Virginia Public Service Commission, that the Danese Public Service District is hereby enlarged to comprise the following area more particularly bounded and described as follows, to-wit:

Beginning at a point on Beelick Knob, said point having a latitude of $37^{\circ} 51' 59''$ and a longitude of $80^{\circ} 51' 54''$; thence, west 7.38 miles, more or less, to a point having a latitude of $37^{\circ} 51' 59''$ and a longitude of $81^{\circ} 00' 00''$; thence, north 12.10 miles, more or less, to a point having a latitude of $38^{\circ} 02' 30''$ and a longitude of $81^{\circ} 00' 00''$; thence, east 9.27 miles, more or less, to a point in the Meadow River, said point having a latitude of $38^{\circ} 02' 30''$ and a longitude of $80^{\circ} 49' 49''$; thence, southerly 1.90 miles, more or less, with the Meadow River to a point having a latitude of $38^{\circ} 01' 40''$ and a longitude of $80^{\circ} 48' 41''$; thence, south 6.64 miles, more or less, to a point having a latitude of $37^{\circ} 55' 54''$ and a longitude of $80^{\circ} 48' 42''$; thence, southwest 4.99 miles, more or less, to a point on the northeast corner of the Meadow Bridge boundary line, said point having a latitude of $37^{\circ} 52' 10''$ and a longitude of $80^{\circ} 51' 30''$; thence, southwest 0.33

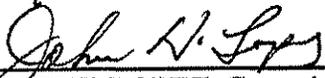
miles, more or less, with said boundary line of Meadow Bridge to a point on the northwest corner of the Meadow Bridge boundary line, said point having a latitude of 37° 51' 56" and a longitude of 80° 51' 43"; thence, northwest 0.17 miles, more or less, to the point of beginning and containing 117.54 square miles, more or less,

and it is the **ORDER** and **JUDGMENT** of the County Commission that the Meadow Bridge Public Service District should be and is hereby dissolved.

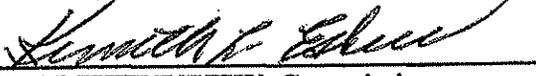
Approved and entered this 26th day of May, 2006.



MATTHEW D. WENDER, President



JOHN H. LOPEZ, Commissioner



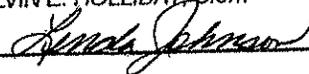
KENNETH ESKEW, Commissioner

West Virginia, County of Fayette:

I, KELVIN E. HOLLIDAY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix the seal of said Commission this the 26 day of May, 2006

KELVIN E. HOLLIDAY, Clerk

By  Deputy

BEFORE THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE: THE DANESE PUBLIC SERVICE DISTRICT and
THE MEADOW BRIDGE PUBLIC SERVICE DISTRICT

RECEIVED
26 MAY - 4 AM 9:09
VA. PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

ORDER AND NOTICE

WHEREAS, on the 24th day of March, 2006, the County Commission considered the representations of the Danese Public Service District and its engineer that a water extension project proposed by said District could extend public water service to areas of Fayette County, West Virginia outside the current territory of said District; and,

WHEREAS, the residents of Fayette County to be served by the proposed water extension project are not being furnished with public water service from any other source; and,

WHEREAS, the provisions of §16-13A-2(a)(1) of the West Virginia Code permit the County Commission to propose on its own motion by Order duly adopted the enlargement of a public service district by giving its consent thereto; and,

WHEREAS, the Danese Public Service District also proposes to extend its physical facilities to provide public water service to a portion of the territory encompassed by the Meadow Bridge Public Service District; and,

WHEREAS, the Meadow Bridge Public Service District is considered by the Public Service Commission to be a non-operating utility, which District has never owned any physical facilities, has never imposed tariffs, has not filed annual reports with the Commission and currently has no Commissioners appointed by the Fayette County Commission; and,

WHEREAS, the provisions of §16-13A-2(a)(1) of the West Virginia Code permit the County Commission to propose on its own motion by the Order duly adopted the dissolution of a public service district; and,

WHEREAS, upon motion duly made and seconded, the County Commission, upon its own motion, approved the following action, to-wit:

The Fayette County Commission does hereby propose the enlargement of the Danese Public Service District, subject to the written consent of the West Virginia Public Service Commission pursuant to the provisions of §16-13A-2(a)(1) of the West Virginia Code, to encompass the following described territory, to-wit:

Beginning at a point on Beelick Knob, said point having a latitude of 37° 51' 59" and a longitude of 80° 51' 54"; thence, west 7.38 miles, more or less, to a point having a latitude of 37° 51' 59" and a longitude of 81° 00' 00"; thence, north 12.10 miles, more or less, to a point having a latitude of 38° 02' 30" and a longitude of 81° 00' 00"; thence, east 9.27 miles, more or less, to a point in the Meadow River, said point having a latitude of 38° 02' 30" and a longitude of 80° 49' 49"; thence, southerly 1.90 miles, more or less, with the Meadow River to a point having a latitude of 38° 01' 40" and a longitude of 80° 48' 41"; thence, south 6.64 miles, more or less, to a point having a latitude of 37° 55' 54" and a longitude of 80° 48' 42"; thence, southwest 4.99 miles, more or less, to a point on the northeast corner of the Meadow Bridge boundary line, said point having a latitude of 37° 52' 10" and a longitude of 80° 51' 30"; thence, southwest 0.33 miles, more or less, with said boundary line of Meadow Bridge to a point on the northwest corner of the Meadow Bridge boundary line, said point having a latitude of 37° 51' 56" and a longitude of 80° 51' 43"; thence, northwest 0.17 miles, more or less, to the point of beginning and containing 117.54 square miles, more or less.

WHEREAS, upon motion duly made and seconded, the County Commission, upon its own motion, approved the following action, to-wit:

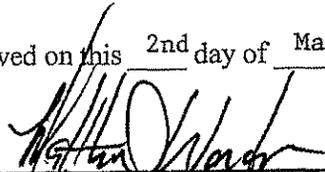
The Fayette County Commission does hereby propose the dissolution of the Meadow Bridge Public Service District, subject to the written consent of the West Virginia Public Service Commission pursuant to the provisions of 16-13A-2(a)(1) of the West Virginia Code.

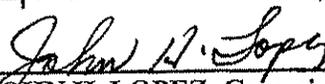
THEREFORE, it is the **ORDER** of the Commission that a hearing on the proposed enlargement of the Danese Public Service District as aforesaid and the dissolution of the Meadow Bridge Public Service District as aforesaid shall be conducted at the County Commission Courtroom located on the 1st floor of the Fayette County Courthouse in Fayetteville, Fayette County, West Virginia on the 26th day of May, 2006 at 11:00 o'clock a.m.,

and NOTICE of said hearing and the time and place thereof as aforesaid shall be published as a Class I legal advertisement in compliance with the provisions of §59-3-1 *et. seq.* of the West Virginia Code.

At the hearing to be conducted as aforesaid, the County Commission shall consider and determine the feasibility of the dissolution of the Meadow Bridge Public Service District, the feasibility of the enlargement of the Danese Public Service District and shall determine if the construction, maintenance, operation, improvement and extension of the public service property by the Danese Public Service District will be conducive to the preservation of public health, comfort and convenience of such area and whether the present or proposed physical facilities of the Danese Public Service District are adequate to provide water service to such enlarged area.

This ORDER and NOTICE was approved on this 2nd day of May, 2006.


MATTHEW D. WENDER, President


JOHN H. LOPEZ, Commissioner

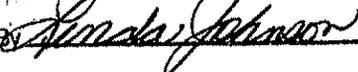

KENNETH ESKEW, Commissioner

West Virginia, County of Fayette:

I, KELVIN E. HOLLIDAY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix the seal of said Commission this the MAY 2 day of 2006, 20

KELVIN E. HOLLIDAY, Clerk

 Deputy

BEFORE THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA

IN RE: THE DANESE PUBLIC SERVICE DISTRICT and
THE MEADOW BRIDGE PUBLIC SERVICE DISTRICT

CERTIFICATE OF POSTING

I, Cynthia Jones, Office Manager of the Danese Public Service District do hereby certify that I have made the following postings of the Order and Notice as required by the West Virginia Public Service Commission, to-wit:

DANESE PUBLIC SERVICE DISTRICT

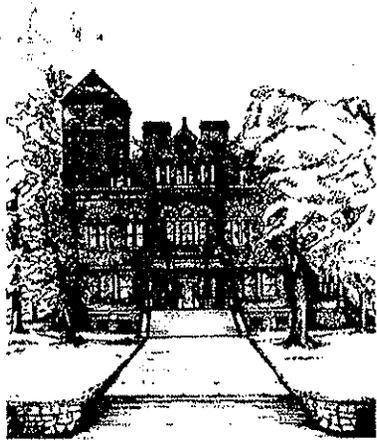
<u>Location</u>	<u>Date</u>	<u>Time</u>
1. <u>Danese Post Office</u>	<u>5-08-06</u>	<u>2:40 PM</u>
2. <u>Our Place Store</u>	<u>5-08-06</u>	<u>2:45 PM</u>
3. <u>Track Push Telephone Pole</u>	<u>5-9-06</u>	<u>12:00 noon</u>
4. <u>DPSD</u>	<u>5-8-06</u>	<u>2:40 PM</u>
5. <u>Rogor's Brestway</u>	<u>5-10-06</u>	<u>7:20 AM</u>

MEADOW BRIDGE PUBLIC SERVICE DISTRICT

<u>Location</u>	<u>Date</u>	<u>Time</u>
1. <u>Cecil Ewing RT 1 Bx 36 D</u>	<u>5-8-06</u>	<u>3:04 PM</u>
2. <u>Harold Lillys Alaska Mt Rd</u>	<u>5-08-06</u>	<u>3:07 PM</u>
3. <u>Corner of 31 & Alaska Mt Rd</u>	<u>5-08-06</u>	<u>3:12 PM</u>
4. <u>31 and Johnson Rd</u>	<u>5-08-06</u>	<u>3:21 PM</u>
5. <u>Beelicks Knob Tabernacle</u>	<u>5-08-06</u>	<u>3:26 PM</u>

Cynthia M. Jones
CYNTHIA JONES

Title: Office Manager



FAYETTE COUNTY COMMISSION

FAYETTEVILLE, WV 25840-0307

TELEPHONE (304) 574-4290

FAX (304) 574-4255

JOHN H. LOPEZ
SMITHERS, WV
COMMISSIONER

MATTHEW D. WENDER
OAK HILL, WV
PRESIDENT

KENNETH L. ESKEW
FAYETTEVILLE, WV
COMMISSIONER

CHARLOTTE N. HOLLY, C.P.A.
ADMINISTRATOR

May 25, 2006

Public Service Commission of West Virginia
Attn: Sandra Squire, Executive Secretary
Post Office Box 812
Charleston, West Virginia 25323

Dear Ms. Squire:

In accordance with §16-13A-2 of the Code of West Virginia, the Fayette County Commission does hereby file for your review and approval a certified copy of our order entered on May 26, 2006, dissolving the Meadow Bridge Public Service District and enlarging Danese Public Service District.

Also, please find copies of the Affidavit of Publication and the Notices of Posting by Fayette County in this matter.

Respectfully submitted,

Matthew D. Wender
President

MDW:jch

cc: James Blankenship, Attorney
Amy Swann

SECRETARY'S OFFICE
COMMISSION
SECRETARY'S OFFICE

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:



... point having
a longitudinal 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.

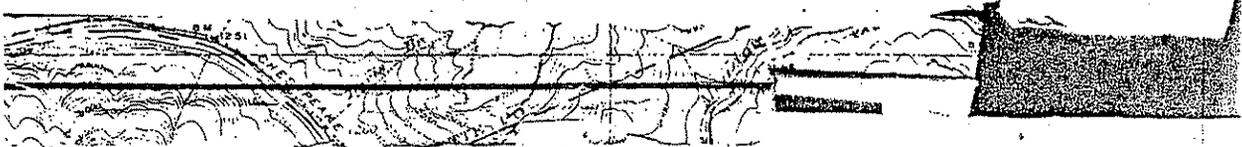
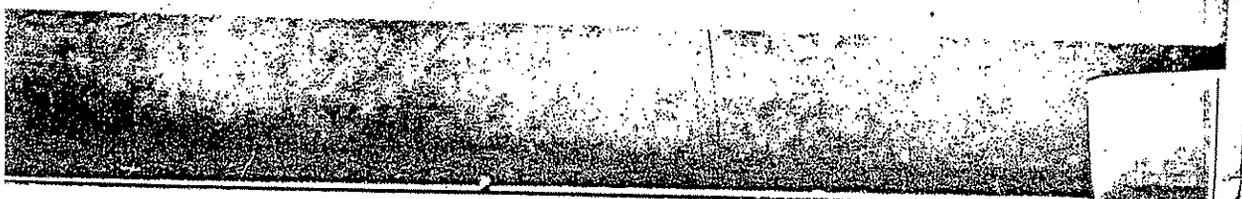
Section 2. That said Public Service District so created shall have the name and corporate title of "Danese Public Service District" and shall constitute a public corporation and political subdivision of the State of West Virginia, having all the rights and powers conferred upon Public Service Districts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

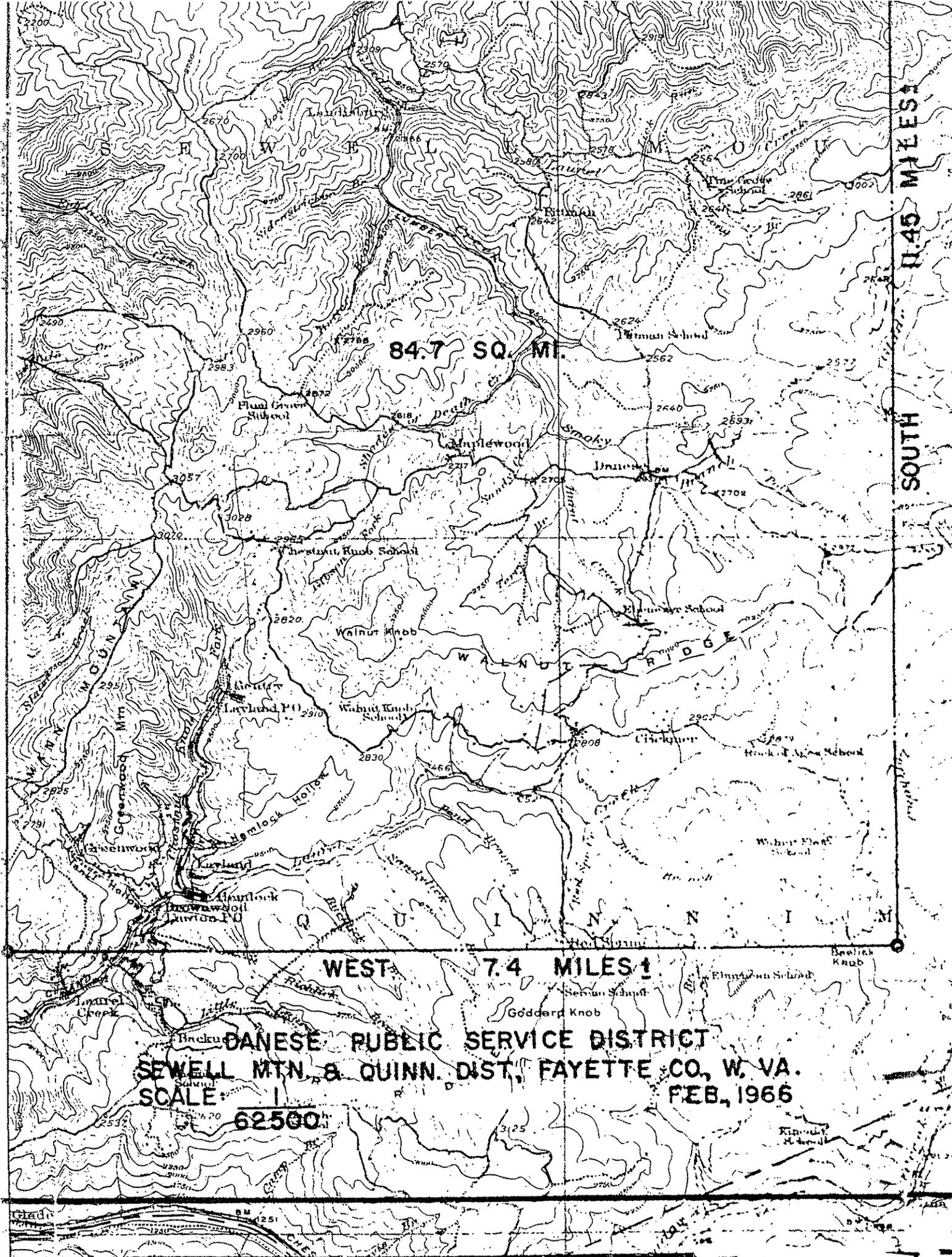
Section 3. That the County Court of Fayette County, West Virginia, has determined that the territory within Fayette County, West Virginia, having the above-described boundary is so situated that the construction or acquisition by purchase or otherwise in the maintenance, operation, improvement and extension 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.

Orval Kessler
President

ATTEST:
Marian J. Acy
Clerk





84.7 SQ. MI.

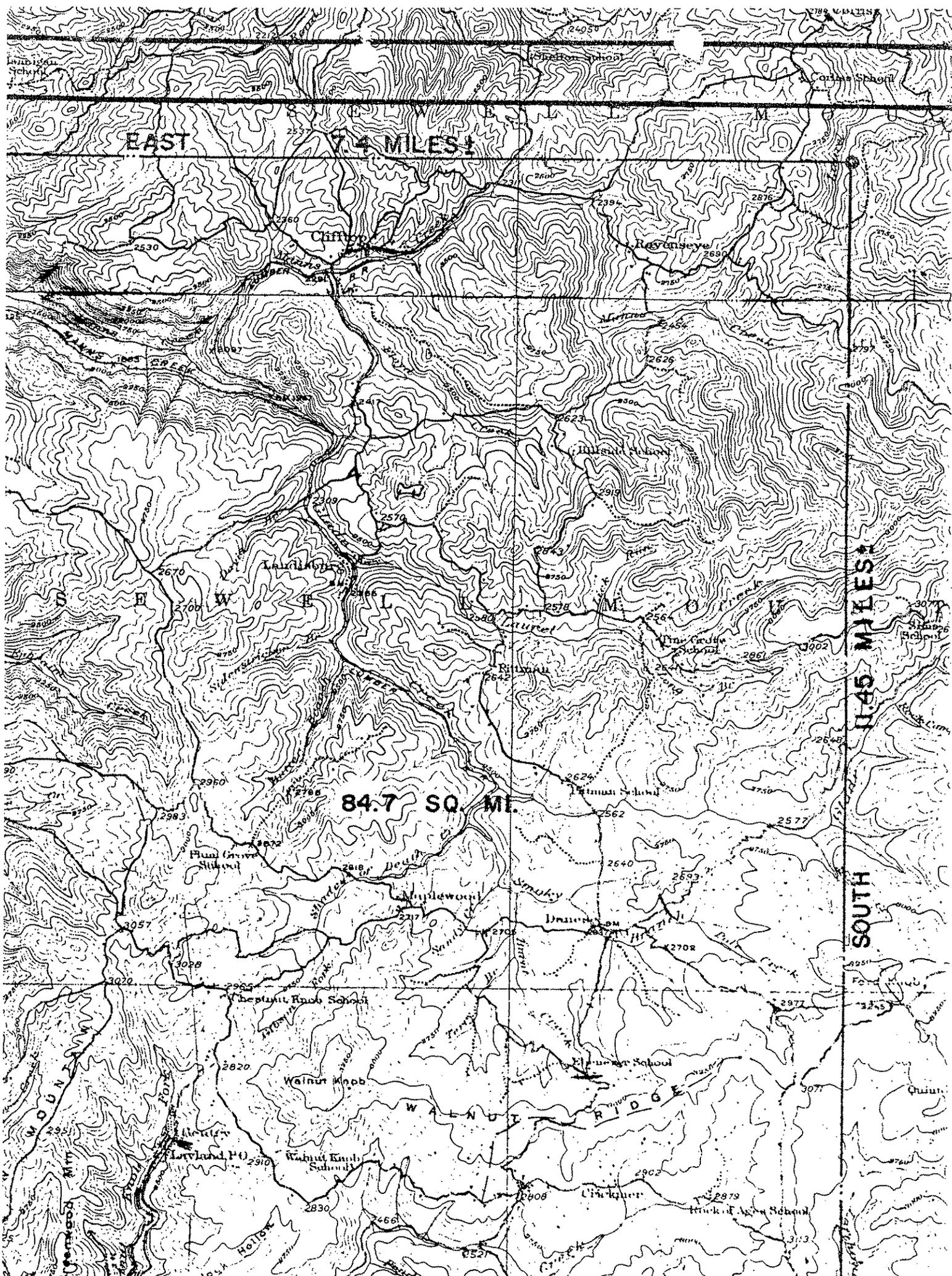
11.45 MILES SOUTH

WEST 7.4 MILES

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

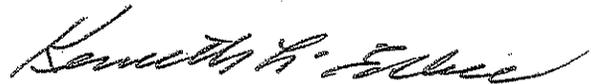
SCALE: 1
62500'

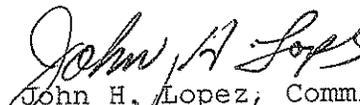
FEB, 1966

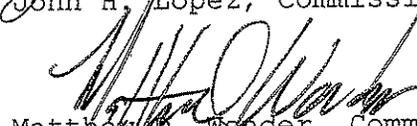


ORDER

On this the 14th day of August, 2009, it appearing to the Fayette County Commission that due to the resignation of Lee Strunk a vacancy exists on the Danese Public Service District, and upon recommendation of the Board, it is hereby ordered that Robert I. Richards will be and he is hereby appointed to fill the unexpired term of Lee Strunk as a member of the Danese Public Service District, said term to expire March 30, 2010.

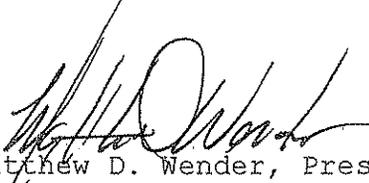

Kenneth L. Eskew, President


John H. Lopez, Commissioner

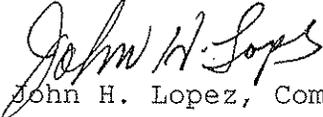

Matthew D. Wender, Commissioner

FAYETTE COUNTY COMMISSION

On this the 15th day of February, 2006, it appearing to the Commission that the term of office of Lawrence R. Boley, as a Commissioner of the Danese Public Service District expires on the 30th day of March, 2006, it is hereby ordered that Lawrence R. Boley be and he is hereby reappointed as Commissioner of said Danese Public Service District Board as and of March 30, 2006, to serve for and during a period of six years, said term to expire March 30, 2012.



Matthew D. Wender, President



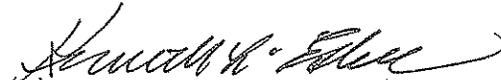
John H. Lopez, Commissioner

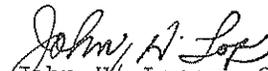


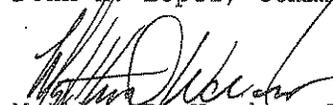
Kenneth L. Eskew, Commissioner

FAYETTE COUNTY COMMISSION

On this the 7th day of March, 2008, 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, 2014.


Kenneth L. Eskew, President


John H. Lopez, Commissioner


Matthew D. Wender, Commissioner

OFFICIAL OATH OF OFFICE

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

I, Robert I Richards, 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 Danese Public Service, in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

8-19-2009
Date

[Signature]
Signature

Taken, sworn to and subscribed to before me this 19 day of Aug., 2009 by Kelvin Holliday, County Clerk.

My Commission expires _____.

Kelvin Holliday
Notary Public
County Clerk

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 Water Commissioner, in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

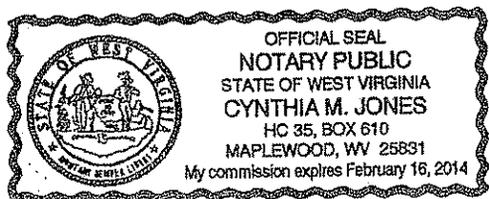
Feb. 23, 2006
Date

Lawrence R. Boley
Signature

Taken, sworn to and subscribed to before me this 23rd day of February, 2006 by Lawrence R. Boley.

My Commission expires February 16, 2014.

Cynthia M. Jones
Notary Public



OFFICIAL OATH OF OFFICE

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

I, Richard 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 Commissioner for Danese Public Service District and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

March 20, 2008
Date

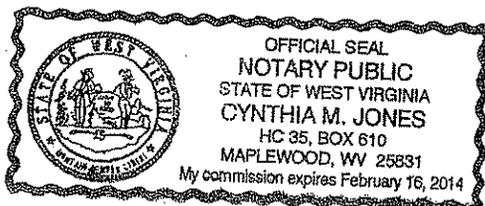
Richard Kinder
Signature

Taken, sworn to and subscribed to before me this 20th day of

March, 2008 by Richard Kinder.

My Commission expires February 16, 2014:

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 specially scheduled 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

**DANESE PSD
SCHEDULE B**

A. COST OF PROJECT	TOTAL	AML	Total Minus AML	SCBG/ARC	USDA/RUS
1 Construction	7,716,211.75	5,050,087.91	2,666,123.84	973,800.00	1,687,323.84
a Contract One	2,508,889.69	2,007,111.75	501,777.94	501,777.94	0.00
b. Contract Two	2,387,033.45	1,909,626.76	477,406.69	438,270.86	39,135.83
c. Contract Three	815,942.87	652,754.30	163,188.57	0.00	163,188.57
d. Contract Four	193,756.00	155,004.80	38,751.20	38,751.20	0.00
e. Contract Five	1,070,589.74	325,590.30	744,999.44	0.00	744,999.44
f. Construction Contingency	740,000.00	0.00	740,000.00	0.00	740,000.00
2 Technical Services - E. L. Robinson	995,000.00	0.00	995,000.00	425,000.00	570,000.00
a. Design Phase	402,500.00	0.00	402,500.00	402,500.00	0.00
b. Construction Phase	592,500.00	0.00	592,500.00	22,500.00	570,000.00
3 Capitalized Interest	111,000.00	0.00	111,000.00	0.00	111,000.00
4 Project Contingency	316,676.16	0.00	316,676.16	0.00	316,676.16
5 Legal	29,200.00	0.00	29,200.00	29,200.00	0.00
6 Permits and Legal Ads	2,000.00	0.00	2,000.00	2,000.00	0.00
e. Legal Advertisements	2,000.00	0.00	2,000.00	2,000.00	0.00
7 Administrative	60,000.00	0.00	60,000.00	60,000.00	0.00
8 Accounting	5,000.00	0.00	5,000.00	5,000.00	0.00
9 Lands & ROWs	20,000.00	0.00	20,000.00	0.00	20,000.00
10 Bond Counsel	16,000.00	0.00	16,000.00		16,000.00
11 TOTAL of Lines 1 through 10	9,271,087.91	5,050,087.91	4,221,000.00	1,500,000.00	2,721,000.00

Richard Kerdin
Danese PSD

9/22/2009
Date

E. L. Robinson

Date

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

EXCERPT OF MINUTES ON ORGANIZATIONAL
MEETING, ADOPTION OF BOND RESOLUTION, AND
DRAW RESOLUTION

The undersigned SECRETARY of Danese Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the said Public Service District:

Danese Public Service District met in regular session, pursuant to notice duly posted, on the 22nd day of September, 2009, in Fayette County, West Virginia, at the hour of 1:00 p.m.

PRESENT: Richard Kinder
 Lawrence Boley
 Robert Richards

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.

The Board elected officer for the Year 2009 as follows:

Chairman	-	Richard Kinder
Secretary	-	Lawrence Boley
Treasurer	-	Robert Richards

Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC 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 \$1,351,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2009 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 by Lawrence Boley and seconded by Robert Richards, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Draw Resolution for the approval of invoices. Thereupon, on motion duly made by Lawrence Boley and seconded by Richard Kinder, it was unanimously ordered that the said Draw Resolution be adopted.

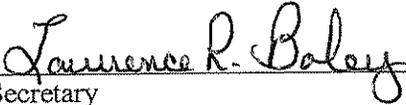
There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

[Remainder of Page Intentionally Blank]

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Danese Public Service District and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 24th day of September, 2009.


Secretary

10.09.08
210780.00001

WV MUNICIPAL BOND COMMISSION
 1207 Quarrier Street Suite 400
 Charleston, WV 25301
 (304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 24-Sep-09

ISSUE: <u>Danese Public Service District</u> <u>Water Revenue Bonds, Series 2009 A (United States Department of Agriculture)</u>	
ADDRESS: <u>Drawer C, Danese, West Virginia 25831</u>	COUNTY: <u>Fayette</u>
PURPOSE OF ISSUE: New Money: <u> x </u> Refunding: <u> </u>	
REFUNDS ISSUE(S) DATED: <u> NA </u>	CLOSING DATE: <u> 9/24/2009 </u>
ISSUE DATE: <u> 9/24/2009 </u>	RATE: <u> 4.125% </u>
ISSUE AMOUNT: <u> \$1,351,000 </u>	1ST PRINCIPAL DUE <u> NA </u>
1ST DEBT SERVICE DUE: <u> </u>	PAYING AGENT: <u> Issuer </u>
1ST DEBT SERVICE AMOUNT <u> </u>	
BOND COUNSEL: Firm: <u> Steptoe & Johnson PLLC </u> Contact: <u> John Stump, Esquire </u> Phone: <u> (304) 353.8196 </u>	UNDERWRITERS COUNSEL Firm: <u> </u> Contact: <u> </u> Phone: <u> </u>
CLOSING BANK: Bank: <u> </u> Contact: <u> </u> Phone: <u> </u>	ESCROW TRUSTEE: Firm: <u> </u> Contact: <u> </u> Phone: <u> </u>
KNOWLEDGEABLE ISSUER CONTACT Contact: <u> Richard Kinder </u> Position: <u> Chairman </u> Phone: <u> (304) 438-6686 </u>	OTHER: Agency: <u> United States Department of Agriculture </u> Contact: <u> Teresa A. Miller </u> Position: <u> Rural Development Specialist </u> Phone: <u> (304) 253-9597 </u>
DEPOSITS TO MBC AT CLOSE By: <u> </u> Wire <u> </u> Accrued Interest: \$ <u> </u> <u> </u> Check <u> </u> Capitalized Interest: \$ <u> </u> <u> </u> Reserve Account: \$ <u> </u> <u> </u> Other: \$ <u> </u>	
REFUNDS & TRANSFERS BY MBC AT CLOSE By: <u> </u> Wire <u> </u> To Escrow Trustee \$ <u> </u> <u> </u> Check <u> </u> To Issuer \$ <u> </u> <u> </u> IGT <u> </u> To Cons. Invest. Fun: \$ <u> </u> <u> </u> To Other: <u> </u> \$ <u> </u>	
NOTES: <u> Monthly debt service payments will be made by the District directly to the National Finance Office. </u> <u> The Municipal Bond Commission will only hold the Series 2009 A Reserve Account. The first payment into the Reserve Account is due 24 months from the date of closing. </u>	
FOR MUNICIPAL BOND COMMISSION USE ONLY: DOCUMENTS REQUIRED: <u> </u> TRANSFERS REQUIRED: <u> </u> <u> </u>	

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Directors

OF THE Danese Public Service District

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS Water

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

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

ONE MILLION THREE HUNDRED FIFTY-ONE THOUSAND AND XX / 100 DOLLARS (\$1,351,000.00)

pursuant to the provisions of Chapter 16 Article 13A, West Virginia Code; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the 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 \$ 1,370,000.00

under the terms offered by the Government; that 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.

Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the Board of Directors 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 11th day of April, 2007

(SEAL)

Attest:
Lawrence Boley
 Lawrence Boley
 Title Secretary

Danese Public Service District
 By Richard Kinder
 Richard Kinder
 Title Chairman

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Secretary of the Danese Public Service District

hereby certify that the Board of Directors of such Association is composed of

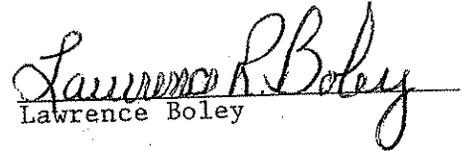
3 members, of whom 2 constituting a quorum, were present at a meeting thereof duly called and

held on the 24th day of September 2009; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of September 24, 2009

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 24th day of September, 2009


Lawrence Boley

Title Secretary

WATER OR WASTE SYSTEM GRANT AGREEMENT
UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

THIS AGREEMENT dated April 11, 2007 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) (sewer) system to serve the area under jurisdiction at an estimated cost of \$ 4,221,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 2,851,000 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 2,851,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 1,370,000 or 32.46% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed 32.46% percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, ~~whether for one or more classes~~ as approved by the West Virginia Public Service Commission.

~~of service adopted by resolution dated xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 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).

All that real property associated with the Danese Public Service District's water system.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A Grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

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).

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, 11/20/97]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$1,370,000.00, which it will advance to Grantee to meet not to exceed 32.46% 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:

By: Lawrence R. Boley
Lawrence Boley
(Title) Secretary

By: Richard Kinder
Richard Kinder
(Title) Chairman

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: Teresa A. Miller
TERESA A. MILLER

Rural Development Specialist
(Title)



APPALACHIAN REGIONAL COMMISSION
*A Proud Past,
 A New Vision*

REV (8-98)

Notice to Obligate

To: Richard Kennedy, Director
 Office of Block Grant Assistance
 US Department of HUD
 451 Seventh St SW #7184
 Washington, DC 20410
 ATTN: Michael Sowell

Pursuant to the Appalachian Regional Development Act of 1965, as amended, the Appalachian Regional Commission has approved the referenced project under appropriation 48X0200. The Department of Housing and Urban Development has agreed to obligate and administer the grant under a Memorandum of Agreement with the Appalachian Regional Commission.

ARC Project Number: WV-15639-07

Project Title: Danese Public Service District Water Extensions

Grantor: Fayette County Commission

Approved Funding:

ARC Section 214	\$ 1,500,000	36.00%
CDBG	-	0.00%
Other Federal	1,370,000	32.00%
State	-	0.00%
Local	1,351,000	32.00%
<u>Total Project Cost</u>	<u>\$ 4,221,000</u>	<u>100.00%</u>

Approved:

Anne B. Pope

Anne B. Pope
 Federal Co-Chair

AUG 28 2007

Date

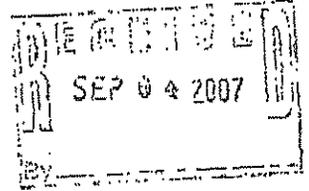


APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past,
A New Vision*

Office of the Executive Director

Ralph



August 28, 2007

REC'D SEP - 5 2007

The Honorable Joe Manchin, III
Governor of West Virginia
State Capitol, Building 1
Charleston, West Virginia 25305

Dear Governor Manchin:

On August 28, 2007, the Appalachian Regional Commission approved grants totaling \$3,000,000 under Section 214 for the following:

Danesc Public Service District Water Extension (WV-15639-214-07)

Mt. Zion PSD Sandridge, Russett & 16 South Water (WV-15363-214-07)

Appalachian Regional Commission funds have been made available to the Director, Office of Block Grant Assistance, U. S. Department of Housing and Urban Development.

A copy of each approval is enclosed.

Sincerely yours,

THOMAS M. HUNTER
Executive Director

Enclosures

cc: State Alternate

1666 CONNECTICUT AVENUE, NW, SUITE 700

WASHINGTON, DC 20005-1068

(202) 824-1700

FAX (202) 824-7629

Alabama
Georgia

Kentucky
Maryland

Mississippi
New York

North Carolina
Ohio

Pennsylvania
South Carolina

Tennessee
Virginia

West Virginia



WEST VIRGINIA DEVELOPMENT OFFICE

1900 Kanawha Boulevard, East - Charleston, WV 25305-0311
(304) 558-2234 • (800) 982 3386
www.wvopenforbusiness.com

September 5, 2007

Mr. Richard Kinder
Chairman
Danese Public Service District
Drawer C
Danese, West Virginia 25831

Dear Mr. Kinder:

Congratulations on the approval of an Appalachian Regional Commission (ARC) grant of \$1,500,000 for the Danese PSD Water Extension-Phase 1 Clifftop/Hilton Village Areas program submitted by the Danese Public Service District. A copy of the approval letter and official ARC project description are enclosed. Please keep this information with your project files.

Should there be a need for any changes in the scope of the project, or project funding, a request should be made to the West Virginia Development Office.

Please be aware that ARC funds are considered to be the last source of funding committed to a project. Should there be a cost under-run, the funds not used are considered ARC funds and would be returned to the Commission.

If you should have any questions, please feel free to contact me at 304-558-2234.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Bush".

James Bush
Community Development Representative
Local Capacity Development

JEB:gm

Enclosures

cc: Region 4 Planning and Development Council



WEST VIRGINIA DEVELOPMENT OFFICE

1900 Kanawha Boulevard, East • Charleston, WV 25305-0311
(304) 558-2234 • (800) 982-3286
www.wvopenforbusiness.com

January 7, 2008

The Honorable Kenneth Eskew
President
Fayette County Commission
Post Office Box 307
Fayetteville, West Virginia 25840

Dear Commissioner Eskew:

RE: Fiscal Year 2007 Appalachian Regional Commission Grant
Danese Public Service District Waterline Extension
Grant Number: 07ARCP15639

Enclosed is your copy of the executed grant award and state/local contract for the above-referenced project. Please retain this contract and grant award with your project files.

Sincerely,

A handwritten signature in cursive script that reads "Mike Browning".

Mike Browning
Community Development Representative

MPB:sm

Cc: Region IV PDC

Enclosure

WEST VIRGINIA DEVELOPMENT OFFICE
GRANT AWARD

Grant Number:	08-266
State Acct. No.:	8705-2008-0307-098-178
Program Name:	ARCP

CFDA Number:	23.002
Fiscal Year:	2008

Grantee Name & Address: F.E.I.N.

FAYETTE COUNTY COMMISSION
P. O. BOX 307
FAYETTEVILLE, WEST VIRGINIA 25840

Grant Period:	From: 5/10/2007 To: 5/10/2010
Project Name:	WATER SERVICE
Grant ID:	A-07-DC-54-0001
Project Number:	07ARCP15639

Project Description

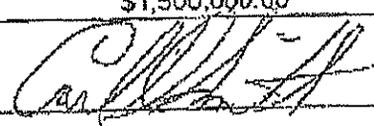
Shall do, perform and carry out, in a satisfactory and proper manner all duties, tasks, and functions necessary to upgrade water service to Clifftop/ Hilton Village areas of Fayette County.

Change Orders

Number: Date: Purpose:

TERMS AND CONDITIONS ARE ON FILE IN THE WEST VIRGINIA DEVELOPMENT OFFICE AND AVAILABLE FOR INSPECTION. A COPY OF THE ORIGINAL AGREEMENT IS ATTACHED TO TRANSMITTAL _____, PROCESSED ON OR ABOUT _____.
PAYMENT NUMBER _____
CONTACT PERSON IS MIKE BROWNING

TOTAL AMOUNT OF THIS GRANT \$ \$1,500,000.00

Authorized Signature: 

Title: Executive Director

Date: 12/12/2007

APPALACHIAN REGIONAL COMMISSION GRANT CONTRACT
between the
WEST VIRGINIA DEVELOPMENT OFFICE
and the
Fayette County Commission

THIS AGREEMENT, entered into this twenty eighth day of May 16, 2007, by the West Virginia Department of Finance and Administration on behalf of the West Virginia Development Office, hereinafter called the "State," and the Fayette County Commission and its authorized officers, agents, and representatives, hereinafter called the "Grantee."

WITNESS THAT:

WHEREAS, the State has elected to administer an Appalachian Regional Commission Grant WV-15639-07, approved on August 28, 2007, under Section 214 of the Appalachian Region Commission Act of 1965, as amended, subject to the applicable regulations of the Department of Housing and Urban Development, including but not limited to 24 CFR Part 570, Sub-Part I, as amended or revised, and subject to the scope of the State of West Virginia's Grants Management Handbook and other Program Guidelines, receipt of which is hereby acknowledged by the Grantee.

WHEREAS, the Grantee has identified its housing and community development needs, including those of low- and moderate-income persons and the activities to be undertaken to meet such needs.

WHEREAS, the Grantee has prepared a written citizen's participation plan which provides opportunities for citizen participation, hearings, and access to information with respect to the proposed project statement in such a manner as to afford affected citizens an opportunity for examination and comment regarding the proposed project and on the community development performance of the Grantee, a Community Development Plan, and an Anti-displacement and Relocation Assistance Plan.

WHEREAS, for audit purposes, the Catalog of Federal Domestic Assistance number is 23.002, Appalachian Supplements to Federal Grant-in-Aid (Area Development), Appalachian Regional Commission, funded by the Appalachian Regional Commission.

WHEREAS, the Grantee has requested assistance from the State and has offered assurances that maximum feasible priority has been given to activities which will benefit low- and moderate-income families, or aid in the prevention or elimination of slums or blight, or to meet other community needs having a particular urgency because an existing condition poses a serious and immediate threat to the health and welfare of the community where other financial resources are not available to meet such needs.

NOW, THEREFORE, the parties hereto do mutually agree as follows:

1. Assistance to Grantee. The State shall obligate to the Grantee, from funds allocated to the State by Grant Agreement WV-15639-07, \$1,500,000.00 to perform such tasks hereafter described in the Scope of Services.
2. Scope of Services. The Grantee, or its designated agent, in accordance with the Small Cities Block Grant Handbook other Program Guidelines to be used in administration of the Appalachian Regional Commission Grant, and in accordance with the approved application of the Grantee which is attached hereto and made a part hereof as Attachment A, shall do, perform, and carry out, in a satisfactory and proper manner all duties, tasks, and functions necessary to assist the Fayette County Commission to extend a waterline in an area served by the Danese Public Service District. This includes installation of approximately 20 miles of water distribution lines, a storage tank, fire hydrants, and related appurtenances in the Clifftop area of Fayette County.
3. Changes. The State and the Grantee, from time to time, may require changes in the Scope of the Services of the work to be performed hereunder. Such changes, including any increase or decrease in the amount of the Grantee's compensation and work to be performed which are mutually agreed upon by and between the State and the Grantee, shall be incorporated in written amendments to this Contract. Major changes in the Scope of Services which substantially deviate from that originally approved shall require the same

citizen participation process as performed for the initial submission of the grant proposal. The State reserves the right to make final determination on questions regarding changes in the Scope of Services.

4. Time of Performance. The Grantee will commence its duties under this Contract on May 16, 2007 and such duties shall be undertaken and completed in such sequences as to assure their expeditious completion in light of the purpose of the Contract; but, in any event, all of the services required hereunder shall be completed by May 16, 2010. Completion date of this Contract may only be extended by mutual written agreement of both parties.

5. Performance Measures. Performance measures establish that the Grantee should have all other funding in place and design and engineering completed within twelve months. Furthermore, construction should be started within eighteen months after the execution of this Agreement by both parties. These performance measures establish goals against which performance under this contract can be measured and evaluated during regular scheduled monitoring visits by the State. Failure to meet these performance measures can result in termination of this contract (see Provision 10 of this agreement).

6. Administrative Requirements and Procedures.

(A) Personnel. The Grantee represents that it has or will secure personnel with the necessary qualifications and experience required to perform the services under this Contract. Such personnel shall not be employees of, or have any contractual relationship with the State, consistent with the procedures identified in the Small Cities Block Grant Handbook.

(B) Applicable Law. The Grantee, its agents, and subrecipients shall comply with all the restrictions, conditions, policies, guidelines, and requirements of Title I of the Housing and Community Development Act of 1974 (Public Law 93-383), as amended; with all applicable State and Federal Laws and regulations including 24 CFR Part 570; 24 CFR Part 85; OMB Circulars A-87, A-110, A-122, and A-133, as applicable, in administering and distributing funds provided under this Agreement including, but not limited to, the following:

(1) P.L. 88-352: Refers to Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) which provides that no person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. Implementing regulations are found in 24 CFR Part I.

(2) P.L. 90-284: Refers to Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601-20 et. seq.) popularly known as the Fair Housing Act which provides for fair housing throughout the United States and prohibits any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage services, including otherwise making unavailable or denying a dwelling to any person, because of race, color, religion, sex, national origin, handicap, or familial status. The Grantee further certifies that it will take actions necessary to affirmatively further fair housing.

(3) Executive Order 11063, as amended by Executive Order 12259, requires that taking of all actions necessary and appropriate to prevent discrimination because of race, color, religion (creed), sex, or national origin, in the sale, leasing, rental, or other disposition of residential property and related facilities (including land to be developed for residential use), or in the use of occupancy thereof. Implementing regulations are contained in 24 CFR 107.

(4) Section 109 of P.L. 93-383 requires that no person in the United States shall, on the grounds of race, color, national origin or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with community development funds.

Section 109 of the Act further provides any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et. seq.) or with respect to an otherwise qualified handicapped person as provided in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) shall also apply.

(5) Section 110 of P.L. 93-383 requires compliance with the Davis-Bacon Act, as amended (40 U.S.C. 276a - 276a-5). By reason of the foregoing requirement,

the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et. seq.) also applies. In addition, the West Virginia Act on Construction of Public Improvements, Article 5A, Chapter 21 of the West Virginia Code applies.

(6) Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701U) requiring that to the greatest extent feasible opportunities for employment and training be given to lower income persons residing within the unit of local government or metropolitan area or nonmetropolitan county in which the project is located, and that Contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part by, persons residing in the same area.

(7) Executive Order 11246, as amended by Executive Order 12086 shall apply and provides that no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in all phases of employment during the performance of Federal or Federally assisted construction contracts.

(8) Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831b) prohibits the use, and requires the elimination and/or abatement of the hazards of lead-based paints in residential structures constructed or rehabilitated with Federal assistance to include notification of the hazards of lead-based paint. The Lead Safe Housing Regulation (24 CFR Part 35) established the requirements for notification, evaluation, and reduction of lead-based paint hazards in federally-owned residential property and housing that receives federal assistance.

(9) The Grantee agrees to assume all of the responsibilities for environmental review, decision making, and action as specified and required in regulations issued by the Secretary of Housing and Urban Development pursuant to Section 104(g) of the Act and published in 24 CFR Part 58. In addition to assuming responsibility for National Environmental Policy Act (P.L. 91-190), the Grantee must take into account, where applicable, the criteria, standards, policies, and regulations of the following: (a) Historic Preservation Act of 1966; (b) Executive Order 11593; (c) The Reservoir Salvage Act of 1960; (d) Flood Disaster Protection Act of 1973; (e) Executive Order 11988, Floodplain

Management; (f) Executive Order 11990, Protection of Wetlands, (g) Coastal Zone Management Act of 1972; (h) the Safe Drinking Water Act of 1974; (i) the Endangered Species Act of 1973; (j) the Wild and Scenic Rivers Act of 1968; (k) the Clean Air Act ; (l) Environmental Criteria and Standards (44 FR 40860-40866, July 12, 1979); (m) 24 CFR Part 51, Subpart B, Noise Abatement and Control; (n) Subpart C - Siting of HUD Projects Near Hazardous Operations Handling Conventional Fuels or Chemicals of an Explosive or Flammable Nature; (o) and Subpart D - Siting of HUD Projects in Runway Clear Zones and Accident Potential Zones at Military Airfields. Before committing any funds (other than for exempt activities), the Grantee must certify to the State that it has complied with all requirements and obligations that are set forth by 24 CFR Part 58. In addition, the Grantee must submit all requested Evidentiary Material to the State for approval prior to the obligation of any funds (other than for exempt activities).

(10) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4601) and HUD implementing regulations at 24 CFR Part 42 apply to the acquisition of real property for an activity assisted under this part and to the displacement of any family, individual, business, nonprofit organization or farm that results from such acquisition. The West Virginia Code, Chapter 54-3 also applies.

The Grantee must certify compliance with URA. Under Section 104(d) of the Act, each Grantee must adopt, make public and certify that it is following a residential anti-displacement and relocation assistance plan providing one-for-one replacement units and relocation assistance. The plan must also indicate the steps that will be taken to minimize the displacement of persons from their homes as a result of any activities assisted under this part all in accordance with 24 CFR Part 570.488(b).

(11) The State and the Grantee will comply with the provisions of the Department of Treasury Circular 1075 and/or the State's Small Cities Block Grant Handbook, as revised, in the process of requesting and administering funds from the State's Letter of Credit.

(12) Funds provided under this agreement shall not be expended for acquisition or construction purposes in an area that has been identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards unless the community in which the area is situated is participating in the National Flood Insurance Program; and flood insurance is obtained in accordance with Section 102(a) of the Flood Disaster Protection Act of 1973.

(C) *Accounting.* The Grantee will establish a separate account for the proper recording of project costs in accordance with generally accepted accounting principles and procedures so as to reflect all receipts and allowable expenditures, including program income in connection with the said project and the purpose thereof. PI generated prior to project closeout must be expended as received for project related activities in accordance with 24 CFR 570. If the Grantee received less than \$25,000 per state fiscal year in program income after closeout, the dollars received are not subject to provision of 24 CFR 570 and may be used at the Grantee's discretion. If program income exceeds \$25,000 in any given state fiscal year after closeout, all program income earned must be expended in accordance with 24 CFR 570.489.

(D) *Audit.* Pursuant to provisions of Chapter 6, Article 9, Section 7 of the West Virginia Code, the Community Development Division has adopted the policy of accepting annual financial audits contracted or performed by the State Auditor's Office. The Grantee will include these funds to be audited with its yearly organization-wide audit. Audits shall be conducted in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, and with standards established by the Comptroller General as specified in Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. Units of local government will make audit reports available for public inspection within thirty (30) days after the completion of the audit.

(E) *Record Retention.* Financial records, supporting documents, statistical records, and all other records pertinent to the grant shall be retained for a period of three years, with the following qualifications:

(1) If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigations, claims, or audit findings involving the records have been resolved.

(2) Records for nonexpendable property acquired with Federal funds shall be retained for three years after its final disposition.

(3) Records for displacement shall be retained in accordance with the Small Cities Block Grant Handbook.

(4) The retention period starts from the date of the issuance of the final audit report.

(F) *Access to Records.* The Grantee shall, at any time during normal business hours and as often as the State or its designated representatives deem necessary, make available for examination all records, books, accounts, reports, files, and other papers, things or property of the Grantee with respect to the matters covered by this Contract. All negotiated contracts awarded by the Grantee shall include a provision that the Comptroller General or any duly authorized representative of the State or HUD shall have access to any books, documents, papers, and records of the contractor which are directly pertinent to a specific grant program for the purpose of making audit, examination, excerpts, and transcriptions.

(G) *Repayment.* The Grantee shall refund to the State or Federal government any expenditures determined to be made for an ineligible purpose for which Federal funds were received.

(H) *Competitive Procurement Procedures.* All procurement transactions, including professional services, regardless of whether negotiated or advertised and without regard to dollar value, shall be conducted in a manner that provides maximum open and free competition consistent with procedures identified in the Small Cities Block Handbook, 24 CFR Part 85, and with applicable local or State law.

The Grantee shall procure architect/engineer services in accordance with Chapter 5G of the West Virginia State Code and be in compliance with 24 CFR Part 85.

The Grantee shall procure construction contracts in accordance with Chapter 5-22-1 of the West Virginia State Code and be in compliance with federal regulations 24 CFR Part 85.

The Grantee shall solicit sealed bids for all construction-related contracts or supplies related to their project which has an estimated value of over \$25,000. All transactions under \$25,000 whether construction-related contracts, supplies, or professional services should be procured in a manner that provides maximum open and free competition and files are to be maintained to document such activities. Any attempts by the Grantee to segregate the project into sections in order to circumvent competitive procurement may be cause for termination of this Agreement under the provisions of Paragraph 9. These bids shall be obtained by public notice as a Class II legal advertisement in compliance with the provisions of Article Three, Chapter Fifty-Nine of the Code of West Virginia. This notice shall be published by the Grantee in the newspaper with the largest circulation serving the general area within a period of fourteen consecutive days with at least an interval of six full days within such period between the date of the first publication and the date of the second publication preceding the final date of submitting bids. The Grantee shall also, where feasible, solicit sealed bids by listing the project in the F. W. Dodge Reports, sending requests by mail to prospective suppliers or contractors, sending notification to the State's Small Business Development Center Division, and by posting notice on a bulletin board in a public place. The Grantee shall have available upon request for review by the State or its designated representative, bid documents and other evidence of compliance with these procedures. The resolution of bid and contract disputes is the responsibility of the Grantee.

Grantees have the ability to procure professional and construction services, therefore, the design-build method (5-22A-1). Public agencies can only utilize design-build on building project. Highways, water, sewer, and all other public works projects are specifically prohibited from using the design-build method.

(1) *Bonding and Insurance.* As otherwise required by law, a grant that requires the contracting or subcontracting for construction or facility improvements under

\$100,000 shall provide for the Grantee to follow local or State requirements relating to bid guarantees, performance bonds, and payment bonds provided that the Grantee's and State's interest is adequately protected and that such contracts can be executed in a timely manner; otherwise, bonding requirements shall be the same as for contracts exceeding \$100,000. If the contracts or subcontracts exceeds \$100,000, the minimum bonding and insurance requirements shall be as follows:

(1) A bid guarantee from each bidder equivalent to five percent of the bid price. This bid guarantee shall consist of a firm commitment such as bid bond, certified check, or other negotiable instrument accompanying a bid that the bidder will, upon acceptance of the bid, execute the contractual documents as may be required within the time specified.

(2) A performance bond on the part of the contractor for 100 percent of the contract price. This performance bond shall be executed by the successful contractor in connection with a contract to secure fulfillment of the contractor's obligations under such contract.

(3) A payment bond on the part of the contractor for 100 percent of the contract price. This payment bond shall be executed in connection with a contract to assure payment is required by law of all persons supplying labor or materials in the execution of the work provided for in the Contract.

(J) *Facilities Operation.* The Grantee shall operate and maintain all facilities to which the general public has right of access constructed under the auspices of this Contract in accordance with minimum standards as may be required or prescribed by the applicable Federal, State and local statute, law, ordinance, or regulation as to actual construction procedures. The Grantee shall be responsible for maintenance and operation of such facilities upon completion. The Grantee may not change the use or planned use of any such facility (including the beneficiaries of such use) from that purpose initially approved unless the Grantee provides affected citizens with reasonable notice thereof and opportunity to comment on any proposed change all in accordance with 24 CFR Part 570.489(j).

authorized expenditures from the State's Letter of Credit with the Department of Housing and Urban Development.

9. Cost Underruns. The State reserves the right to recapture all SCBG funds remaining due to cost underruns. The amount to be recovered will be prorated and proportional to the percent of actual total project expenditures.

10. Termination of Contract for Cause. If, through any cause, the Grantee shall fail to fulfill in a necessary and proper manner its obligations under this Contract or if the Grantee shall violate any of the covenants, agreements, or stipulations of this Contract, the State shall thereupon have the right to terminate this Contract by giving written notice to the Grantee to such termination and specifying the effective date thereof, at least fifteen days before the effective date of such termination. The Grantee shall be entitled to receive just and equitable compensation for any satisfactory work completed on the described project.

Notwithstanding the above, the Grantee shall not be relieved of liability to the State for damages sustained by the State by virtue of any breach of the Contract by the Grantee, and the State may withhold any payments to the Grantee for the purpose of offsetting those damages until such time as the exact amount of damages due the State from the Grantee is determined.

11. Termination for Convenience of the State. The State may terminate this Contract at any time by giving written notice to the Grantee of such termination and specifying the effective date of termination. If the Contract is terminated by the State as provided herein, the Grantee will be paid an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the Grantee covered by this Contract, less payments of compensation previously made.

12. Termination by the Grantee. The Grantee may unilaterally rescind this Agreement at any time prior to the commencement of the project. After project commencement, this Agreement may be rescinded, modified, or amended only by mutual agreement. A project shall be deemed commenced when the State makes any expenditure or incurs any obligation with respect to the project.

13. Reporting. A Final Performance Report shall be submitted to the State with the final request for payment for project costs, excluding audit. Said Performance Report shall be made on the forms provided by the State and meet the requirements of said report as set forth in the appropriate Small Cities Block Grant Handbook of the State of West Virginia. Other reports may be requested by the State during the grant period as the State deems necessary and directs.

14. Final Closeout. Final Closeout shall be completed when the State: (a) is in receipt of a Final Performance Report; (b) has determined that all monitoring findings have been formally addressed and are resolved; and (c) has received a completed, final project audit and has determined that any findings have been resolved.

15. Resolution of Disputes. Resolution of disputes between the State and the Grantee concerning administrative and programmatic matters during the terms of this Agreement shall be initiated through consultation and discussion at the State's Administrative Offices with final decision on questions of policy or fact being determined by the Director of the Community Development Division of the West Virginia Development Office or his/her designated representative. Nothing in this Agreement shall be construed as making the final decision on a question of law, or to limit in any manner any remedies or recourses available under applicable laws. Citizen's complaints or disputes regarding Grantee performance or actions relative to the approved project are the responsibility of the Grantee.

16. Notice. The parties hereto agree that notice shall be served when mailed certified U.S. Mail to the following addresses:

West Virginia Development Office
Community Development Division
Capitol Complex
Building 8, Room 553
Charleston, West Virginia 25305-0311

GRANTEE Fayette County Commission
100 North Court Street
Fayetteville, WV 25840-0307

[WITNESSETH] that the parties hereto have entered their signatures hereafter with each representing to the other that the execution of this Agreement is done with full authority and that attached hereto and made a part hereof as Attachment B, is a certified copy of the resolution, motion, or similar action of the governing body of the Grantee directing and authorizing its official representative to act in connection with this Agreement.

STATE OF WEST VIRGINIA
WEST VIRGINIA DEVELOPMENT OFFICE



By: Stephen E. Spence, Executive Director

Fayette County Commission



By: Kenneth L. Eskew, President

FEDERAL EMPLOYER IDENTIFICATION NUMBER

F.E.I.N.



west virginia department of environmental protection

Office of Abandoned Mine Lands
601 57th Street SE
Charleston, WV 25304
Telephone: (304)926-0485 / Fax (304)926-0458

Joe Manchin III, Governor
Randy C. Huffman, Cabinet Secretary
www.wvdep.org

September 4, 2008

Ms. Cynthia Jones
Danese PSD
PO Drawer C
Danese, West Virginia 25831

Re: Danese PSD Waterline Extension
AML ID# 281

Dear Ms. Jones:

As stated in a previous letter to you, the Danese Waterline Extension project is 80% eligible for funding by AML. This project is eligible to be funded by a Sub-Grant, which results in the project being administered by the applicant, or the applicant's designee. As such, 80% of the bid cost of the construction (currently estimated at \$6,268,647) is eligible for funding by AML. In addition, AML will participate in approved Change Orders for the project by applying the 80% to the total eligible Change Order amount.

AML funds are released according to a project's priority score. Currently, the base priority score for your project is 133.42, which is project number nine (9) that is eligible for AML funds. In order to increase your priority score, the following Readiness to Proceed items must be received by AML : 1) Certified Plans and Specifications; 2) Preliminary Title of Opinion, certifying that 100% of Properties and 80% of ROWs have been obtained; 3) PSC Certificate; 4) Health Department Permit; and 5) Evidence of remaining funding and/or IJDC approval. AML has received Certified Plans and Specifications, and only four items remain. Each of the five items above adds 20 points to your base priority score. Once all five have been received and approved by AML, your priority score will be 233.42, which is currently high enough for immediate funding.

After AML receives all of the required items above, funding will be assigned to a grant year, and your project will be transferred to the Sub-Grant Team. At the same time, a Sub-Grant Application will be forwarded to you with a list of documentation required to be approved by the Sub-Grant Team before soliciting bids.

Promoting a healthy environment.

Ms. Cynthia Jones
Danese PSD
Danese PSD Waterline Extension ID# 281
September 4, 2008
Page 2

Finally, in order to assist AML with the preparation of an environmental assessment, copies of any letters to and responses from environmental clearinghouses (i.e. SHPO, DNR, Corps, etc.) would be appreciated. This can potentially shorten the amount of time required to receive OSM approval of the project.

It is the agency's goal to utilize all of the money in each grant year for construction of projects that benefit the West Virginia citizens. AML is encouraging all of its project coordinators to work toward the five Readiness to Proceed criteria, so that funding is available first to those who are ready. If you have any questions or would like to discuss the steps necessary to complete your particular project, please contact me at (304) 926-0499, Ext. 1459.

Sincerely,



Angela K. Chestnut, P.E.
Waterline Administrator

CC: Ray Tilley, P.E., E. L. Robinson

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

The undersigned duly authorized representative of Branch Banking & Trust Company, Charleston, West Virginia (the "Bank"), hereby certifies that on September 24, 2009, the Bank received an automated transfer in the amount of \$ 78,587.03 to the credit of the Series 2009 A Bonds Construction Trust Fund, Account Number 0005175831683.

WITNESS my signature on this 24th day of September, 2009.

BRANCH BANKING & TRUST COMPANY

By:



Its: Authorized Officer

09.03.09
210780.00001

CH4979306.1

PWSID: WV3301008

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

CAPITOL and WASHINGTON STREETS 1 DAVIS SQUARE, SUITE 200 CHARLESTON, WV 25301
Telephone (304) 558-2981

PERMIT

(Water)
PROJECT: Clifftop Water Line Extension PERMIT NO.: 18,054
LOCATION: Clifftop COUNTY: Fayette DATE: 7-16-2008

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

**Danese Public Service District
Drawer C
Danese, West Virginia 25831**

is hereby granted approval to: install approximately 47,000 LF of 8", 167,700 LF of 6" and 30,800 LF of 2" water line; four (4) 4 1/2" PRV stations; one (1) 130 G.P.M. duplex water booster station; one (1) 146,000 gallon water storage tank; and all necessary valves, controls and appurtenances.

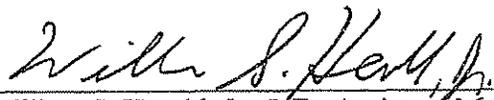
Facilities are to serve 325 customers in the Clifftop, Hilton Village, Ravenseye, Corliss, Russellville, Loops Road, Beelock Knob and upper portion of Smoky Branch Road in Fayette County.

NOTE: This permit is contingent upon: 1) All new water line and the water storage tank being disinfected, flushed and bacteriologically tested, prior to use and; 2) Enclosing the 146,000 gallon water storage tank with a minimum six (6) feet high fence with a locking gate.

The Environmental Engineering Division of the Beckley District Office (304) 256-6666 is to be notified when construction begins.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR



William S. Herold, Jr., P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

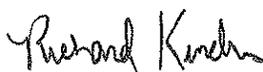
WSH:cls

pc: E. L. Robinson Engineering
James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, PSC-Water and Wastewater Division
Fayette County Health Department
OEHS-EED Beckley District Office

**RESOLUTION OF THE DANESE PUBLIC SERVICE DISTRICT APPROVING
INVOICES RELATING TO DESIGN, CONSTRUCTION, AND OTHER SERVICES FOR
THE WATER EXTENSION PROJECT AND AUTHORIZING PAYMENT THEREOF,**

DESCRIPTION OF WORK	INVOICE AMOUNT	SCBG	AML	RUS
7. Administrative Region 4 P&DC 425 Main Street Summersville, WV 26651 Services, July 2009	\$140.87	140.87		
8. Accounting Reimbursement to: Danese PSD Drawer C Danese, WV 25831 Imre Pentek, CPA	\$780.00	780.00		
9. Land & ROWs Reimbursement to: Danes PSD Drawer C Danese, WV 25831 Plum Creek	\$5,000.00			5,000.00
9. Bond Counsel Stephoe & Johnson PLLC Attorneys at Law Bank One Center, Eighth Floor P.O. Box 1588 Charleston, WV 25326	\$16,000.00			16,000.00
TOTALS	\$81,723.25	3,136.22		78,587.03

ADOPTED BY THE DANESE PUBLIC SERVICE DISTRICT, at the meeting held on the 22nd day of
September 2009.


Richard Kinder, Chairman

E.L. ROBINSON

the Challenge. the Choice.

5088 Washington Street, West
Charleston, West Virginia 25313

INVOICE NO. 1006658-5

FILE NO. 1006658

ENDING DATE: 31-Aug-09

TO: Danese Public Service District
P.O. Drawer C
Danese, West Virginia 25831

FOR: Professional engineering services in connection with the Water System Extension Project

BASIC SERVICES

Task	Fee	Previous %	Current %	Previous Total	Current Amount	Current Total	Remaining Balance
Preliminary Design Phase	\$ 115,000.00	100%	100%	\$ 115,000.00	\$ -	\$ 115,000.00	\$ -
Final Design Phase	\$ 287,500.00	100%	100%	\$ 287,500.00	\$ -	\$ 287,500.00	\$ -
Bidding Phase	\$ 57,500.00	0%	100%	\$ -	\$ 57,500.00	\$ 57,500.00	\$ -
Construction Phase	\$ 88,250.00	0%	0%	\$ -	\$ -	\$ -	\$ 88,250.00
Post Construction	\$ 28,750.00	0%	0%	\$ -	\$ -	\$ -	\$ 28,750.00
SUBTOTALS	\$ 575,000.00			\$ 402,500.00	\$ 57,500.00	\$ 460,000.00	\$ 115,000.00

ADDITIONAL SERVICES

Task	Estimated Fee	Previous Hours	Current Hours	Previous Total	Current Amount	Current Total	Remaining Balance
Inspection Labor-\$55/hour		0.0	0.0	\$ -	\$ -	\$ -	
Inspection Expenses				\$ -	\$ -	\$ -	
Inspection Total	\$ 385,000.00			\$ -	\$ -	\$ -	\$ 385,000.00
Easement Maps	\$ 15,000.00			\$ 15,000.00	\$ -	\$ 15,000.00	\$ -
Property Surveys	\$ 7,500.00			\$ 7,500.00	\$ -	\$ 7,500.00	\$ -
Soils Investigations	\$ 7,500.00			\$ -	\$ -	\$ -	\$ 7,500.00
Record Drawings	\$ 5,000.00			\$ -	\$ -	\$ -	\$ 5,000.00
SUBTOTALS	\$ 420,000.00			\$ 22,500.00	\$ -	\$ 22,500.00	\$ 397,500.00

TOTAL \$ 995,000.00 \$ 425,000.00 \$ 57,500.00 \$ 482,500.00 \$ 512,500.00

TOTAL DUE THIS INVOICE

\$ 57,500.00

CC: Region 4 Planning & Development Council



Nicholas Printing, Inc.
Color Printing • Digital Printing • Black & White Printing • Office Supplies

1109 Broad Street
 Summersville, WV 26651

Phone: 304-872-5906 • Fax: 304-872-5923
 npiprinting@verizon.net • www.nicholasprinting.com

**REGION IV PLANNING
 & DEVELOPMENT COUNCIL
 425 MAIN STREET SUITE A
 SUMMERSVILLE WV 26651**

Invoice	
No: 14519	Date: 07/31/09

Ship To:

< Same as Bill To >

RECEIVED

AUG 05 2009

Region 4 Planning &
 Development Council

Acct. No	Ordered by	Phone	P.O. No	Prepared by	Sales Rep	Ship Via
977				Janie	Rodney	Customer Pickup
Quantity	Description				Unit Price	Price
✓ 250	GPC-4909 LASER CHECKS (Brown) Danese Public Service District				0.3481/Ea	87.03
250	GPC-4909 LASER CHECKS (Green) Birch River PSD Waterline				0.3481/Ea	87.03
250	GPC-4909 LASER CHECKS (Burgundy) Town of Alderson				0.3481/Ea	87.03
<i>Thank you for doing business with us.</i>					Subtotal	261.09
					Shipping	0.00
					Postage	0.00
					Tax	0.00
					TOTAL	261.09
					Paid	0.00
					BALANCE	261.09
Received by _____ Date _____					Terms	Net 30 Days

A Finance Charge of 1.5% Per Month (18% Per Year) Will Be Added To Balances After 30 Days.

Nicholas Printing • 1109 Broad Street • Summersville WV 26651 • (304) 872-5906

(print# 1)

8.26	Email to PSD	.25	18.75
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*\$75.00 hourly

Total Hours: 28.25 hrs

Total due in the foregoing matter:

28.25 hours x \$75.00 per hour = \$2,118.75

Out of Pocket Expenses:

Recording Fees:	8.21.09	80.60
	8.24.09	<u>16.00</u>
TOTAL DUE		\$2,215.35

JAMES C. BLANKENSHIP, III
ATTORNEY AT LAW
 105 East Wiseman Avenue
 P.O. Box 326
 Fayetteville, West Virginia 25840
 304-574-3556
 304-574-2365 (fax)

INVOICE

August 31, 2009

TO: Danese Public Service District

RE: Water Extension Project

Legal Fees

May 15, 2009 through August 31, 2009

Date	Services	Time*	Fee
5.15.09	Review and inventory of all easements	2.25	\$168.75
5.15	Preparation of Opinion of Issuer's Counsel	2.00	150.00
5.15	Preparation of Opinion of Counsel Relative to Rights of Way	1.25	93.75
5.21	Email to PSD Re: Deeds and easements	.25	18.75
6.23	Email from PSD Re: Westvaco and Plum Creek; correspondence to Westvaco and Plum Creek	1.50	112.50
6.24	Email to PSD: Westvaco and Plum Creek	.25	18.75
6.25	Phone call to Ray Tilley: Review Bidding process and email	1.25	93.75
7.8	Call to Plum Creek attorney: Tank site and easements; correspondence; review WV Code	1.50	112.50
7.28	Bid Opening at Danese Fire Department	3.50	262.50
7.29	Phone call to PSD	.25	18.75
8.5	Review Purchase Agreement; Quit Claim Deed; Easements; surveys; call to Engineer	2.75	206.25
8.5	Phone call to Ritterbush: Easement; correspondence	.50	37.50
8.11	Emails and phone calls to PSD: Westvaco and Plum Creek	1.50	112.50
8.18	Receipt and review of all final documents from Plum Creek	1.50	112.50
8.20	Phone calls and emails: Westvaco easements	2.00	150.00
8.24	Email from PSD: Plum Creek	.50	37.50
8.24	Receipt and Review of documents from Westvaco	2.50	187.50
8.25	Email to Westvaco, Matt Hill; phone calls; correspondence	1.25	112.50
8.25	Review final drafts of documents: Westvaco	1.50	112.50

Aug 31 09 01:18p

J C Blankenship

304 574 2365

p.4

FAYETTE COUNTY, WV

R E C E I P T KELVIN E. HOLLIDAY COUNTY CLERK

Receipt No.: 0000746-1

August 24, 2009

Registry No.: 2009001173

Received of: BLANKENSHIP

JAMES

<u>Qty</u>	<u>Description</u>	<u>Transaction</u>	<u>Time</u>	<u>Amount</u>
FAYETTE COUNTY BOARD OF EDUCAT ION DANBEE PUBLIC SERVICE DISTRICT				
3	EASEMENT	2009001761	11:27:27	
	Book: 00651 Page: 00377 Line: 00001			
			Fees:	12.00
1	FARMLAND & OUTDOOR HERITAGE 1	2009001762	11:28:29	
			Fees:	4.00
			Total:	16.00
	By CHECK No. 7312		Payment:	16.00
	Received by: TLS		Change:	.00

Aug 31 09 01:19p

J C Blankenship

304 574 2365

p.5

FAYETTE COUNTY, WV

R E C E I P T KELVIN E. HOLLIDAY COUNTY CLERK

Receipt No.: 0000698- 1

August 21, 2009

Registry No.: 2009001099

Received of: BLANKENSHIP

JAMIE

<u>Qty</u>	<u>Description</u>	<u>Transaction</u>	<u>Time</u>	<u>Amount</u>
	PLUM CREEK TIMBERLANDS L P	DANESE PUBLIC SERVICE DISTRICT		
5	DEED WITH CONSIDERATION	2009001646	11:20:02	
	Book: 00651 Page: 00323 Line: 00001		Tax Stamps:	6.60
	Consideration: 1,000.00		Fees:	12.00
1	FARMLAND & OUTDOOR HERITAGE 1	2009001647	11:20:54	
			Fees:	4.00
1	WEST VIRGINIA HOUSING TR. FUND	2009001648	11:21:00	
			Fees:	20.00
	PLUM CREEK TIMBERLANDS L P	DANESE PUBLIC SERVICE DISTRICT		
8	EASEMENT	2009001649	11:22:37	
	Book: 00651 Page: 00328 Line: 00001		Fees:	15.00
1	FARMLAND & OUTDOOR HERITAGE 1	2009001650	11:24:14	
			Fees:	4.00
	PLUM CREEK TIMBERLANDS L P	DANESE PUBLIC SERVICE DISTRICT		
8	EASEMENT	2009001651	11:24:25	
	Book: 00651 Page: 00336 Line: 00001		Fees:	15.00
1	FARMLAND & OUTDOOR HERITAGE 1	2009001652	11:25:05	
			Fees:	4.00

By CHECK No. 7304
 Received by: TLS

Total: 80.60
 Payment: 80.60
 Change: .00

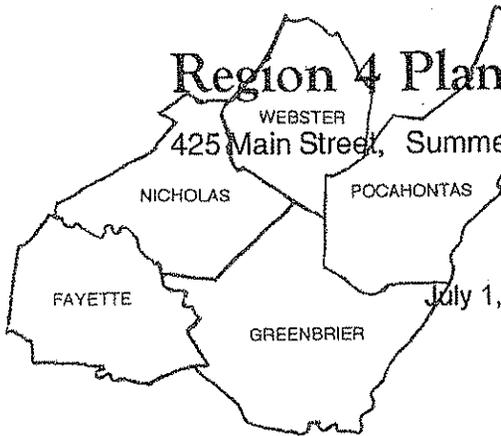
[Handwritten initials and signature]

Region 4 Planning and Development Council

425 Main Street, Summersville, West Virginia 26651

(304) 872-4970

Fax: 872-1012

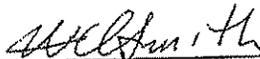


July 1, 2009 through July 31, 2009

Danese PSD
% Region 4 Planning & Development Council
425 Main Street, Suite A
Summersville, WV 26651

PROJECT ADMINISTRATION

For month of:	July	Totals
Personnel:		
Fringe Benefits:		
Retirement		
Insurance		
FICA		
Unemployment		
Workers Compensation		
Travel:	139.15	139.15
Supplies:		
Other:		
Rent:		
Utilities:		
Phone:	1.72	1.72
Other (direct)		
Misc. (indirect)		
Totals:	140.87	140.87



W. D. Smith
Executive Director

Imre David Pentek
Certified Public Accountant
P.O. Box 1390
Lewisburg, West Virginia 24901
(304) 647-3949

Danese Public Service District
 Drawer C
 Danese WV 25831

October 31, 2008

For Professional Services Rendered

	<u>Hrs/Rate</u>	<u>Amount</u>
10/7/08 IDP Audit for Year Ending June 30, 2008 Preparation of PSC report; RDA reports; trial balance and proposed adjusting entries		2,195.00
10/22/08 IDP Consulting services: Complete page 2 of PSC Form 14 per J. Blankenship	0.75 80.00/hr	60.00 ✓
Amount Due	0.75	\$2,255.00
10/21/08 Payment - thank you		(\$2,195.00)
Balance due		\$60.00

Bills are due and payable upon receipt

Finance charges accrue at an annual rate of 10% on all accounts not paid within 30 days of the statement date

053101121
11/20/2008
3304275048

This is a LEGAL COPY of your check. You can use it the same way you would use the original check

8002/02/11/20/2008
3304275048

DANESE PUBLIC SERVICE DISTRICT OPERATION & MAINTENANCE FUND DRAWER 0 DANESSE, WY 25831 (304) 438-6686		BRANCH BANK AND TRUST COMPANY ABERDEEN, VA 24212 90-336515	12478
PAY TO THE ORDER OF <u>Mrs. David Pentak</u>		11/10/2008	
Sixty and 00/100		\$ 60.00	
Mrs. David Pentak P.O. Box 1890 Lewisburg, WY 24901		<i>Robert R. Jones</i> <i>Cynthia M. Jones</i>	
Consulting Services for Project		000000000000	
012478 05150339405272340260		000000000000	

00040394
80787

012478 05150339405272340260 000000000000

Do not endorse or write below this line.

For deposit only
000 5222566588

DO NOT WRITE IN THESE SPACES

0631 34110

8002/02/11/20/2008
3304275048

11208

Imre David Pentek
Certified Public Accountant
P.O. Box 1390
Lewisburg, West Virginia 24901
(304) 647-3949

Danese Public Service District
 Drawer C
 Danese WV 25831

June 5, 2006

For Professional Services Rendered

	<u>Hrs/Rate</u>	<u>Amount</u>
6/6/06 IDP Rule 42 analysis:	3.00	240.00
Revised Rule 42 per contract	80.00/hr	
	<hr/>	<hr/>
Amount Due	3.00	\$240.00
Previous balance		\$480.00
		<hr/>
Balance due		<u>\$720.00</u> ✓

Bills are due and payable upon receipt

Finance charges accrue at an annual rate of 10% on all accounts not paid within 30 days of the statement date

11208

Imre David Pentek
Certified Public Accountant
P.O. Box 1390
Lewisburg, West Virginia 24901
(304) 647-3949

Danese Public Service District
 Drawer C
 Danese WV 25831

May 31, 2006

For Professional Services Rendered

	<u>Hrs/Rate</u>	<u>Amount</u>
5/23/06 IDP Rule 42 analysis: Revised Rule 42 per contract	2.00 80.00/hr	160.00
5/24/06 IDP Revised Rule 42 per contract	3.00 80.00/hr	240.00
5/29/06 IDP Revised Rule 42 per contract	1.00 80.00/hr	80.00
Amount Due	6.00	\$480.00
Balance due		\$480.00

Bills are due and payable upon receipt

Finance charges accrue at an annual rate of 10% on all accounts not paid within 30 days of the statement date

DANESE PUBLIC SERVICE DISTRICT
OPERATION & MAINTENANCE FUND
DRAWER C
DANESE, WV 25831
(304) 438-6686

BRANCH BNKG AND TRUST COMPANY
ABINGDON, VA 24212
66-339/515

11208

7/25/2006

\$ 720.00

PAY TO THE
ORDER OF

Imre David Pentek, CPA

DOLLARS

Seven Hundred Twenty and 00/100

MEMO
Imre David Pentek, CPA
Certified Public Accountant
P.O. Box 1390
Lewisburg, West Virginia 24901
Revised Rule 42

Richard K...
Lawrence R. Bailey

⑈0000072000⑈
⑈0011208⑈ ⑈051503394⑈ ⑈5272340260⑈

X
for deposit only
400 5272366 588

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR BANK USE

0673 6242A

POST OFFICE BOX 15428
ONE PIEDMONT ROAD
CHARLESTON, WV 25309-15428

SEP 10 2006

Plum Creek Timberlands, L.P.
999 Third Avenue, Suite 4300
Seattle, Washington 98104-4096
206-467-3600



DANESE PUBLIC SERVICE DISTRICT
Drawer C
Danese, WV 25864

INVOICE NO. 560-5.09-0820
August 5, 2009

Purchase price for approximately 0.35 acres in New Haven District, Fayette County, West Virginia -	\$1,000.00
Purchase price for two (2) waterline easements (21A-2 and 21B-3) -	<u>\$4,000.00</u>
	\$5,000.00

Please remit payment to:

Plum Creek Timberlands, L.P.
Attn: Paul Hill
999 Third Avenue, Suite 4300
Seattle, WA 98104
(206) 467-3672

Thank you!

053101121
08/26/2009
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BRANCH BANK AND TRUST COMPANY
ABINGDON, VA 26012
60-36916

12895

8/8/2009

DANESE PUBLIC SERVICE DISTRICT
OPERATION'S MAINTENANCE FUND
DRAWER'S
DANESE, WV 25801
(304) 438-8888

\$ 5,000.00

PAY TO THE ORDER OF Plum Creek Timberlands, L.P.

Five Thousand and 00/100

Plum Creek Timberlands, L.P.

MEMO Tank Site & Assembly 21A-2 & 21B-3

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*Richard K. K...
L... ..*

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79801

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CHARLESTON, WEST VIRGINIA 25326

IN ACCOUNT WITH

STEPTOE & JOHNSON PLLC

Attorneys at Law

FEIN 55-0286140

September 24, 2009

Danese Public Service District
Water Revenue Bonds, Series 2009 A
(United States Department of Agriculture)

Services as Bond Counsel and Out-of-pocket expenses	\$16,000.00
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TOTAL DUE	<u>\$ 16,000.00</u>
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